PRESS RELEASE

March 31, 2010, Kyiv, Ukraine

MHP S.A.

Preliminary Financial Results for the Fourth Quarter and Full Year ended December 31, 2009

MHP S.A. ("MHP" or the "Company", LSE ticker: "MHPC"), one of the leading agro-industrial companies in Ukraine, focusing on the production of poultry and the cultivation of grain, today announces its financial results for the fourth quarter 2009 and full year ended 31 December 2009.

Key operational highlights

Poultry

- Phase 2 of the Myronivka poultry farm, launched in June and reached its full capacity in Q3 2009 in line with previously announced plans
- Annual sales volume of chicken to third parties increased by 27% to 272,900 tonnes (2008: 215,000 tonnes)
- Demand for chicken remained high throughout the year as consumers continued to substitute other meat for locally produced chicken and MHP sold close to 100% of its production
- MHP market share of industrially produced chicken increased to 43% (2008: 39%)
- Sales of sunflower oil increased by 50%, to 140,400 tonnes (2008: 93,300 tonnes), as a result of opening new sunflower-seed crushing plant at Katerynopilsky in September as part of the Myronivka project

Grain Growing

- Good growing conditions for crops resulted in yields of corn at 9.0 tonnes per hectare, sunflower at 3.3 tonnes per hectare, wheat at 5.8 tonnes per hectare, and rape at 2.7 tonnes per hectare. These are significantly higher than Ukraine's average

Other Agricultural

- Production of sausages and cooked meat increased by 54% in 2009 compared to 2008

Key financial highlights

All the key financial indicators increased significantly as reported in local currency (Hryvnia - UAH). However, when translated into US dollars, due to the significant Hryvnia's depreciation against the US dollar over the last year (2009: UAH 7.79 to one USD, Q4 2009: UAH 7.99; 2008: UAH 5.27 to one USD, Q4 2008: 6.21 to one USD), some financial indicators were down year-on-year when reported in

US dollars. MHP's profit margins remained high despite the challenging economic conditions and the cancelation of direct government subsidies.

Q4 2009 highlights

- Revenue increased 59% in UAH terms to 1,668 million (Q4 2008: UAH1,049 million), in US dollar terms revenue increased 24% to US$209 million (Q4 2008: US$169 million)
- EBITDA in UAH terms increased by 36% to UAH 591 million (Q4 2008: UAH433 million), in US dollar terms EBITDA increased 6% to US$74 million (Q4 2008: US$70 million)
- EBITDA margin decreased from 41% in Q4 2008 to 35% in Q4 2009 in UAH terms due to higher poultry production costs
- Net income from continuing operations increased significantly in UAH terms to 454 million (Q4 2008: loss of UAH1,044 million), in US dollar terms to $57 million (Q4 2008: loss of US$165 million)

FY 2009 highlights

- Revenue increased 33% in UAH terms to 5,552 million (2008: UAH4,189 million), in US dollar terms revenue decreased 11% to US$711 million (2008: US$803 million)
- EBITDA increased 29% in UAH terms to 2,113 million (2008: UAH1,634 million), in US dollar terms EBITDA decreased 13% to US$271 million (2008: US$312 million)
- EBITDA margin remained high at 38% despite the cancellation of direct government subsidies (2008: 39%)
- Net income from continuing operations increased significantly in UAH terms to 1,245 million (2008: loss of UAH151 million), in US dollar terms to US$160 million (2008: US$15 million)

Commenting on the results, Yuriy Kosyuk, Chief Executive Officer of MHP, said:

"I am pleased to report that 2009 was another good year for MHP. Despite the challenging economic conditions, we made excellent progress in expanding our operations and in consolidating MHP's position as one of the leading agro-industrial companies in Ukraine.

"Our success in what has been a challenging year for Ukraine's economy has demonstrated the strength of our long term strategy: chicken remains the cheapest meat within the local consumption mix and our vertically integrated model gives us a clear competitive advantage.

"We launched the second stage of our fully-integrated complex at Myronivka in June 2009; and, in its first six months of operation, the new facility enabled us to boost 2009's production of chicken by 27%. This growth in volumes and high consumer demand allowed us to increase our market share of industrially produced chicken in Ukraine to 43%. We also maintained our high margins despite the cancellation of direct government subsidies.

"Despite the well-publicised decline in the value of the hryvnia and a 15% fall in Ukraine's GDP during 2009, we sold close to 100% of chicken production, and we will continue to increase our production volumes going forward. In 2010, we expect production to reach 330,000 tonnes.

"We expect demand for locally produced chicken to continue to grow and have plans to build a further large complex at Vinnytsa and increase our grain output by increasing our land bank close to 300,000 hectares in a few years.

We have the skills and resources to continue to build on the success of the business and are assured in our belief that we can win an even greater share of the market. We look ahead with continuing confidence."

- end -

MHP's management will host a conference call for investors and analysts followed by a Q&A session. The dial-in details are:

The dial-in details are:

Date:	Wednesday, 31 March 2010
Time:	16.00 Kyiv / 14.00 London / 9.00 New York / 17.00 Moscow
Title:	MHP – FY 2009 FINANCIAL RESULTS
Conference ID	64622563

The participants will be asked for their full name and conference ID.

UK Standard International	+44 (0) 1452 587 434
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A live webcast of the presentation will be available at:

https://webconnect.webex.com/webconnect/onstage/g.php?t=a&d=667178411

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Financial overview

In UAH		FY 2009	FY 2008	change	Q4 2009	Q4 2008	change
Revenue	**UAH, m**	**5 552**	**4 189**	**33%**	**1 668**	**1 049**	**59%**
IAS 41 standard gains		*273*	*44*	*520%*	*39*	*66*	*-41%*
Gross profit	**UAH, m**	**1 923**	**1 238**	**55%**	**435**	**308**	**41%**
Gross margin	*%*	*35%*	*30%*	*17%*	*26%*	*29%*	*-11%*
EBITDA	**UAH, m**	**2 113**	**1 634**	**29%**	**591**	**433**	**36%**
EBITDA margin	*%*	*38%*	*39%*	*-2%*	*35%*	*41%*	*-14%*
Foreign exchange (losses)/gains, net	**UAH, m**	***(184)***	***(1 177)***	***-84%***	*32*	*(1 233)*	*n/a*
Net income (con'ing operations)	**UAH, m**	**1 245**	**(151)**	**n/a**	**454**	**(1 044)**	**n/a**
Net income margin	*%*	*22%*	*-4%*	*n/a*	*27%*	*-100%*	*n/a*

In US$		FY 2009	FY 2008	change	Q4 2009	Q4 2008	change
Revenue	**US$, m**	**711**	**803**	**-11%**	**209**	**169**	**24%**
IAS 41 standard gains		*35*	*6*	*457%*	*5*	*11*	*-55%*
Gross profit	**US$, m**	**247**	**238**	**4%**	**54**	**50**	**9%**
Gross margin	%	*35%*	*30%*	*17%*	*26%*	*30%*	*-12%*
EBITDA	**US$, m**	**271**	**312**	**-13%**	**74**	**70**	**6%**
EBITDA margin	%	*38%*	*39%*	*-2%*	*35%*	*42%*	*-15%*
Foreign exchange (losses)/gains, net	**US$, m**	***(24)***	***(187)***	***-87%***	***4***	***(198)***	***n/a***
Net income (con'ing operations)	**US$, m**	**160**	**15**	**973%**	**57**	**(165)**	**n/a**
Net income margin	%	*23%*	*2%*	*n/a*	*27%*	*-98%*	*n/a*

Q4 2009 Consolidated Financial Results

Consolidated revenue in UAH terms increased by 59% to UAH1,668 million (Q4 2008: UAH1,049 million) and in US dollar terms by 24% to US$209 million (Q4 2008: US$169 million) as a result of sales volumes growth in poultry segment

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Q4 2009 EBITDA in UAH terms increased by 36% to UAH591 million (Q4 2008: UAH433 million), while in US dollar terms it increased by 6% to US$74 million compared to the same period last year (Q4 2008: US$70 million). EBITDA margin decreased quarter-on-quarter from 41% in UAH terms to 35%. The EBITDA margin decrease was driven by higher poultry production costs in Q4 2009 compared to Q4 2008.

Net income from continuing operations for the fourth quarter increased significantly in UAH terms to UAH454 million (Q4 2008: loss of UAH1,044 million) and in US dollar terms to US$57 million (Q4 2008: loss of US$165 million). In Q4 2008 net income from continuing operations was affected by non-cash foreign exchange losses of US$198 million. Net income margin improved accordingly to 27% in UAH terms.

FY 2009 Consolidated Financial Results

In 2009, MHP's consolidated revenues in UAH increased by 33% in UAH terms to UAH5,552 million (2008: UAH4,189 million) – a reflection of the strong performance of the company's poultry segment and growth in chicken sales volumes, while in US dollar terms it decreased by 11% to US$711 million (2008: US$803 million) as a result of the Hryvnia depreciating by 48% against the US dollar in terms of average exchange rate for the year.

2009 EBITDA in UAH terms increased by 29% to UAH2,113 million (2008: UAH1,634 million), while in US dollar terms it decreased by 13% to US$271 million (2008: US$312 million) and EBITDA margin remained high at 38% despite the discontinuation of direct government grants (2008: 39%).

Net income from continuing operations for the year increased significantly in UAH terms to UAH1,245 million (2008: loss of UAH151 million) or US$160.0 million (2008: US$14.9 million). In 2008 the net income was adversely affected by non-cash foreign exchange losses of US$187 million, principally as a result of the significant depreciation of the hryvnia during 2008 and a subsequent revaluation of debt denominated in foreign currency on the company's balance sheet.

State support for agricultural production in Ukraine

In view of the agricultural sector's importance to the national economy, as well as the need to improve living conditions in rural areas, support for the sector is a major priority for the Ukrainian government. During 2009, State support was provided in the form of special tax regimes (VAT) and tax privileges (0% income tax).

In 2009 MHP did not receive any direct subsidies from the government, whereas in 2008 an aggregate of US$46.1 million was received in direct government grants, but in 2009 MHP still benefited as usual from State support, which resulted in significant tax savings (VAT and profit taxes).

Functional currency

The functional currency for the Group's companies is the Ukrainian hryvna (UAH), however, for of the purpose of the financial statements, the Group's results have been translated into the presentation currency of US dollars in accordance with IAS 21 "The Effects of Changes in Foreign Exchange Rates".

Assets and liabilities for each consolidated balance sheet presented are translated at the closing rate as of the date of that balance sheet. The Group translated certain items of income and expenses for each period presented in the financial statements using the quarterly average rates of exchange if such translations were reasonably the same as if actual historical rates on the date of the relevant transaction were used. However, most items were translated using exchange rates prevailing on the date of the relevant transaction.The relevant average exchanges rates for the periods were: 2009: UAH 7.79 to one USD, Q4 2009: UAH 7.99; 2008: UAH 5.27 to one USD, Q4 2008: 6.21 to one USD.

MHP's operating assets are located in Ukraine and its revenues and costs are principally denominated in hryvnias. Approximately 20% of our revenue and all financial costs are denominated in foreign currencies, primarily US dollars. Management believes that MHP's exposure to currency exchange rate fluctuations as a result of foreign currency costs is almost completely offset by its US dollar revenue earned from the export of sunflower oil, sunflower husks, grain and poultry meat. In total, during 2009, the company generated US$153 million of revenue in foreign currencies.

Poultry and related operations

		FY 2009	FY 2008	change	Q4 2009	Q4 2008	change
Revenue	**US$, m**	**577**	**660**	**-13%**	**167**	**138**	**21%**
- chicken meat, convenience food and other		476	550	-13%	129	111	16%

- sunflower oil		101	110	-8%	38	27	39%
IAS 41 standard gains		**17**	**18**	-7%	**5**	**18**	**n/a**
Gross profit	**US$, m**	**219**	**236**	**-7%**	**48**	**69**	**-31%**
Gross margin	%	38%	36%	6%	29%	50%	-43%
EBITDA	**US$, m**	**234**	**296**	**-21%**	**55**	**81**	**-32%**
EBITDA margin	%	41%	45%	-10%	33%	59%	-44%

Q4 2009 Poultry and related operations segment financial results

In accordance with previously announced plans, MHP successfully launched phase two of the Myronivka poultry farm, the company's new state-of-the-art production facility in Q2 2009 and it reached its full production capacity in Q3 2009. As a result, the company increased its monthly poultry production volumes and sales by almost 50% compared to the end of 2008.

During the fourth quarter of 2009 the volume of chicken meat sales to third parties increased by 50.7% compared to the fourth quarter of 2008, reaching 80,000 tonnes. During the fourth quarter of 2009, consumer demand for chicken remained high as consumers continued to substitute other meats with locally produced chicken. As a result, the Company was able to sell close to 100% of the chicken it produced. Sales volumes of sunflower oil increased by 57% to 49,150 tonnes (Q4 2008: 31,270 tonnes) as a result of opening our new sunflower-seed crushing plant at Katerynopilsky in September as part of the Myronivka project.

Average chicken meat sales prices to third parties through the fourth quarter of 2009 increased by 6.6% to 12.37 UAH per kg. of adjusted weight (excluding VAT) when compared to the fourth quarter of 2008. Average sun flower oil prices through Q4 2009 decreased by 12% to 770 US$/t. from 870 US$/t in Q4 2008.

As a result, segment revenue in UAH increased by 55% to UAH 1,335 million (Q4 2008: UAH 859 million) and in US dollars the segment's revenue increased by 21% to US $167 million (Q4 2008: US $138 million).

Poultry production costs in Q4 2009 were higher than in Q4 2008 both due to a nearly double price of corn and sunflower harvested in 2009 and due to Q4 2009 correlation between price of sunflower seeds and sunflower oil, which was less favorable compared to Q4 2008 and resulted in higher price for internally produced sunflower protein and because of the imported eggs, which we had to buy with the launch of Phase 2 of Myronivka poultry farm.

Gross profit in the segment decreased by 31% from US $69 million in Q4 2008 to US$48 million in Q4 2009. Gross margin decreased from 50% to 29%. Segment EBITDA in Q4 2009 decreased by 32% to US$55 million (Q4 2008: US$81 million). EBITDA margins decreased from 59% to 33%. The margin decrease was driven by high poultry production costs in Q4 2009 due to higher price of corn harvested in 2009 as well as high IAS 41 standard gains in Q4 2008 of US$18 million (Q4 2009: US$5 million).

FY 2009 Poultry and related operations segment financial results

In 2009, chicken meat sales volume to the third parties on an adjusted-weight basis increased by 26.9% to 272,900 tonnes (2008: 215,000 tonnes). The volume growth was primarily a result of the launch of phase two of the Myronivka poultry farm. Sales volumes of sunflower oil increased by 50% to 140,400 tonnes (2008: 93,300 tonnes) as a result of opening a new sunflower-seed crushing plant at Katerynopilsky in September as part of the Myronivka project.

Average chicken meat sales prices increased by 6.3% to 12.79 UAH per kg. against 2008 and average sunflower oil prices through the year decreased by 39% to 721 US$/t. from 1,179 US$/t in 2008.

As a result, segment revenue in UAH terms increased by 31% to UAH4,505 million (2008: UAH3,443 million) but in US dollar terms, due to the hryvnia's depreciation against the US dollar, segment revenue decreased by 13% to US$577 million (2008: US$660 million).

Average poultry production costs in 2009 were slightly higher in UAH terms and significantly lower in US dollar terms (most of the costs being denominated in UAH) compared to 2008. During 9 months of 2009 poultry production cost was slightly lower compared to the same period of 2008 despite a significant increase in utility prices in general and natural gas in particular due to favorable ratios of sunflower seeds and sunflower oil resulting in low sunflower protein costs, as well as low corn prices from 2008 yields (most of which the Company used during the first nine months of 2009). Poultry production cost increased in Q4 2009 due to the higher price of corn harvested in 2009 as well as due to the imported eggs bought for poultry production, which in H2 2010 we are expected to replace with internally produced eggs

Gross profit in the segment in 2009 decreased by 7% from US$236 million in 2008 to US$219 million, while gross profit margin improved from 36% to 38%. Segment EBITDA in 2009 decreased by 21% toUS $234 million (2008: US$296 million) as a result of the hryvnia's depreciation. EBITDA margin remains high at 41% despite the cancellation of direct government grants (2008: 45%).

Grain growing operations

		FY 2009	FY 2008	change	Q4 2009	Q4 2008	change
Revenue	**US$, m**	**46**	**50**	**-8%**	**20**	**7**	**187%**
IFRS 41 standard gains		**18**	**(10)**	**n/a**	**(3)**	**(6)**	**n/a**
Gross profit	***US$, m***	***25***	***2***	***n/a***	***6***	***(16)***	***n/a***
Gross margin	*%*	*54%*	*3%*	*n/a*	*30%*	*-238%*	*n/a*
EBITDA	***US$, m***	***44***	***19***	***132%***	***23***	***4***	***n/a***
*EBITDA margin**	*%*	*97%*	*38%*	*n/a*	*116%*	*-51%*	*n/a*

** Segment's revenue includes only sales to third parties*

MHP grows four major crops: corn and sunflowers, which are used in its own operations; rape and wheat, which are sold to third parties. In 2009, the division harvested about 150,000 hectares of crops.

MHP produced a good harvest in 2009 with the yields of crops per hectare significantly higher than Ukraine's average.

	2009 MHP's average	**2009 Ukraine's average**	**2008 MHP's average**	**2008 Ukraine's average**
	(tonnes per hectare)	(tonnes per hectare)	(tonnes per hectare)	(tonnes per hectare)
Rapeseed	2.7	1.9*	3.5	1.8*
Wheat	5.8	3.1*	6.3	3.8*
Sunflower	3.3	1.5*	2.8	1.5*
Corn	9.0	5.0*	7.0	4.2*

** - Source: the State Committee on Statistics of Ukraine.*

MHP currently uses the majority of the grain it produces in its own operations. Revenue from the Grain division is attributable to the sale of a certain quantity of grain, mainly wheat and rape to third parties. Revenue from the sale of grains to third parties was US$46 million in 2009 (2008: US$50 million) including export revenue of US$30 million.

The division's gross profit increased significantly from US$1.5 million to US$24.9 million as a result of high crop yields and, therefore, a reduction in production costs per tonne. The market price for corn and sunflower was almost twice as high as at harvest time compared to the harvest time 2008 – which is when we calculate fair value of crops. As a result, there was a concomitant increase in divisional EBITDA by 132%, to US$44 million (2008: US$19 million)

Other agricultural operations

		FY 2009	FY 2008	change	Q4 2009	Q4 2008	change
Revenue	**US$, m**	**88**	**93**	**-5%**	**22**	**24**	**-8%**
- meat processing		60	66	*-9%*	13	17	*-19%*
- other		28	27	*4%*	9	7	*18%*
IAS 41 standard gains	**US$, m**	**1**	**(1)**	**n/a**	**2**	**(1)**	**n/a**
Gross profit	**US$, m**	**3**	**0**	**n/a**	**1**	**(3)**	**n/a**
Gross margin		4%	1%	n/a	3%	-12%	n/a
EBITDA	**US$, m**	**9**	**8**	**15%**	**3**	**(4)**	**n/a**
EBITDA margin	%	*10%*	*8%*	*22%*	*14%*	*-16%*	*n/a*
Sausage volume	tonnes	24 600	16 000	54%	6 400	5 300	21%

Q4 2009 Other agricultural operations

Main growth driver in this segment is meat-processing operations.

Through the fourth quarter of 2009, sausage and cooked meat production volumes increased by 21% to 6,400 tonnes compared to 5,300 tonnes during Q4 2008 and the average price remained flat. This volume growth was due to an increase of production volume of "Ukrainian Bacon" acquired in July 2008.

Segment revenue decreased 8% to US$22 million (Q4 2008: US$24 million) as the result of volumes growth and depreciation of hryvnia year-on-year. Segment gross profit increased to US$1 million. Divisional EBITDA increased to US$3 million (Q4 2008: US$4 million) and EBITDA margin increased significantly to 14%.

FY 2009 Other agricultural operations

For the full year 2009, sausage and cooked meat production volumes increased by 54% to 24,600 tonnes compared to 16,000 tonnes in 2008. Average sausage and cooked meat prices during 2009 decreased by 5% to 17.33 UAH per kg excluding VAT (FY 2008: 18.23 UAH per kg.) in line with consumer demand and the Company's strategy of shifting its product portfolio towards mass market products. As a result, the segment's revenue was US$88.1 million (2008: US$93.1 million) a 5% decrease year-on-year.

Divisional gross profit reached US$3.5 million in 2009 (2008: US$0.5 million). Divisional EBITDA increased by 15% to US$8.7 million (2008: US$7.6 million) and EBITDA margin increased to 10% (2007: 8%).

Current financial position, cash flow and liquidity

Cash Flows US$, m	**2009**	**2008**	Growth rate
Funds from operations	**201**	**263**	*-24%*
Increase in working capital	(78)	(141)	
Cash from operating activities	**123**	**123**	*0%*
CAPEX	(171)	(265)	*-36%*
Including non-cash investments	*27*	*64*	
Assets sale and other	1	3	
Deposits	18	(16)	
Cash from investment activities	**(126)**	**(214)**	*-41%*
Cash from financial activities	**(28)**	**142**	
effects of exchange rates on cash	(1)	(7)	
Total change in cash	**(32)**	**44**	*-172%*

Net cash generated from operating activities was US$123.1 million (2008: US$122.7 million).

In 2009, the total in working capital was US$77.7 million. The main contributors to working capital were:

- an increase in biological assets and inventories following the launch of Myronivka phase 2;
- an increase in trade receivables as the result of an increase in monthly sales volume resulting from the full launch of our Myronivka project; and
- an increase in VAT tax recoverable, which is related to 2009 CAPEX.

In 2009 our total capital expenditure, of US$170.9 million was mostly related to the launch of the second phase of the Myronovka poultry farm facility.

As at 31 December 2009, the company's total debt was approximately US$519 million, most of which was denominated in US dollars. The average weighted cost of debt was below 10%. US$250 million of the debt is in Eurobonds, which do not mature until November 2011. The total debt/EBITDA ratio at the end of the period was 1.92 (Eurobond covenant: 2.5). As a hedge for currency risks, revenue from exports of sunflower oil, sunflower husks, wheat, rape and poultry is used fully to cover debt service expenses.

Debt	**31.12.2009**	**31.12.2008**
Total Debt, US$ 000	**519**	**517**
- Eurobond	248	247
- Ukrainian bonds		
- Loans covered ECA	82	79
- Financial Leases and vendor financing	69	70
- ST Loans *	114	109
- Other debt	6	12
Cash and bank deposits	30	79

Net Debt	**489**	**437**
EBITDA from contunuing operations	271	312
Debt / EBITDA	*1,92*	*1,65*
Net Debt / EBITDA	*1,81*	*1,40*

* excludes short-term portion of long-term debt

At the end of the reporting period MHP had US$29.9 million in cash and deposits, mostly denominated in US dollars.

Current trading and outlook

Consumer demand for poultry continues to be high and the company's production facilities are all operating at full capacity.

In Q1 2010 our chicken production volumes increased by 50% compared to Q1 2009 as a result of the Myronivka phase two launch in June 2009 and as consumer demand remains high we continue to sell close to 100% of the chicken meat we produce.

In 2010, output from our Myronivka complex will enable us to increase production by 16%, to 330,000 tonnes of chicken.

In Q1 2010 we have increased production and sales of meat processing products and convenience food, from economically-prices sausages to cooked meat, which meat consumer demand and are sold onto the mass market.

- End -

Notes to Editors:

Information on MHP

MHP is the leading producer of poultry products in Ukraine with the greatest market share and highest brand recognition for its products. MHP owns and operates each of the key stages of chicken production processes, from feed grains and fodder production to egg hatching and grow out to processing, marketing, distribution and sales (including through MHP's franchise outlets). Vertical integration reduces MHP's dependence on suppliers and its exposure to increases in raw material prices. In addition to cost efficiency, vertical integration also allows MHP to maintain strict biosecurity and to control the quality of its inputs and the resulting quality and consistency of its products through to the point of sale. To support its sales, MHP maintains a distribution network consisting of 11 distribution and logistical centres, within major Ukrainian cities. MHP uses its trucks for the distribution of its products, which Management believes reduces overall transportation costs and delivery times.

MHP also has a leading grain cultivation business growing corn to support the vertical integration of its chicken production and increasingly other grains, such as wheat and rape, for sale to third parties. MHP leases agricultural land located primarily in the highly fertile black soil regions of Ukraine.

Since May 15, 2008, MHP has traded on the London Stock Exchange under the ticker symbol MHPC.

Forward-Looking Statements

This press release might contain forward-looking statements that refer to future events or forecast financial indicators for MHP S.A, which include all statements other than statements of historical fact. Such forward-looking statements do not guarantee that these are actions to be taken by MHP S.A. in the future, and estimates can be inaccurate and uncertain. Actual final indicators and results can considerably differ from those declared in any forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding MHP's present and future business strategies and the environment in which it will operate in the future. These forward-looking statements speak only as at the date of this press release. MHP S.A. does not intend to change these statements to reflect actual results.

MHP S.A.
AND ITS SUBSIDIARIES

Consolidated Financial Statements
Years Ended 31 December 2009,
2008 and 2007

MHP S.A. AND ITS SUBSIDIARIES

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MHP S.A. AND ITS SUBSIDIARIES

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2009, 2008 AND 2007

The following statement, which should be read in conjunction with the independent auditors' responsibilities stated in the report of the independent auditors set out on pages 2-3, is made with a view to distinguishing the respective responsibilities of management and those of the independent auditors in relation to the consolidated financial statements of MHP S.A. and its subsidiaries (the "Group").

Management is responsible for the preparation of the consolidated financial statements that present fairly the consolidated financial position of the Group as of 31 December 2009, 2008 and 2007, the consolidated results of its operations, cash flows and changes in equity for the years then ended, in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS").

In preparing the consolidated financial statements, management is responsible for:

- Properly selecting and applying accounting policies;
- Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Providing additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's consolidated financial position and financial performance;
- Making an assessment of the Group's ability to continue as a going concern.

Management, within its competencies, is also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls, throughout the Group;
- Maintaining adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the consolidated financial position of the Group, and which enable them to ensure that the consolidated financial statements of the Group comply with IFRS;
- Maintaining statutory accounting records in compliance with local legislation and accounting standards in the respective jurisdictions;
- Taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- Preventing and detecting fraud and other irregularities.

The consolidated financial statements of the Group for the years ended 31 December 2009, 2008 and 2007 were authorized for issue by the Board of Directors on 30 March 2010.

On behalf of the Board

Yuriy Kosyuk/Chief Executive Officer	Viktoria Kapelyushnaya/Chief Financial Officer

INDEPENDENT AUDITORS’ REPORT

MHP S.A. AND ITS SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
AS OF 31 DECEMBER 2009, 2008 AND 2007
(in US Dollars and in thousands)

	Notes	2009	2008	2007
ASSETS				
NON-CURRENT ASSETS				
Property, plant and equipment, net	8	627,678	517,564	624,756
Prepayments for property, plant and equipment		6,591	22,269	5,883
Deferred tax assets	9	10,183	2,047	2,705
Long-term VAT recoverable, net	10	20,670	9,112	1,742
Non-current biological assets	11	36,235	29,480	42,096
Other non-current assets	12	9,571	6,458	8,013
Total non-current assets		710,928	586,930	685,195
CURRENT ASSETS				
Inventories	13	92,260	38,118	42,645
Biological assets	11	112,978	84,095	90,785
Agricultural produce	14	66,227	42,765	31,680
Other current assets, net	15	15,297	15,370	16,321
Taxes recoverable and prepaid, net	16	66,958	46,338	45,400
Trade accounts receivable, net	17	43,377	31,531	20,363
Short-term bank deposits	18	7,632	25,342	10,055
Cash and cash equivalents	19	22,248	54,072	10,088
Total current assets		426,977	337,631	267,337
TOTAL ASSETS		1,137,905	924,561	952,532
LIABILITIES AND SHAREHOLDERS' EQUITY				
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT				
Share capital	20	284,505	284,505	251,311
Additional paid-in capital		178,815	178,815	60,059
Revaluation reserve		18,781	9,410	9,410
Cumulative translation differences		(238,521)	(222,699)	6,292
Retained earnings		231,044	82,480	80,962
		474,624	332,511	408,034
MINORITY INTEREST		19,784	13,706	11,372
Total equity		494,408	346,217	419,406
NON-CURRENT LIABILITIES				
Long-term bank borrowings	21	56,043	57,456	65,878
Bonds issued	22	248,046	246,903	243,604
Long-term finance lease and vendor financing obligations	23	44,546	47,972	30,538
Other long-term payables		310	400	2,005
Deferred tax liabilities	9	8,970	6,160	6,506
Total non-current liabilities		357,915	358,891	348,531
CURRENT LIABILITIES				
Trade accounts payable	24	72,380	22,170	25,116
Accounts payable for property, plant and equipment	23	6,340	8,116	9,626
Other current liabilities	25	39,088	32,992	18,085
Short-term bank borrowings and current portion of long-term bank borrowings	21	139,790	130,241	73,855
Current portion of bonds issued	22	-	-	39,604
Interest accrued		3,526	3,520	4,102
Current portion of finance lease obligations	23	24,458	21,625	13,903
Deferred income	26	-	789	304
Total current liabilities		285,582	219,453	184,595
TOTAL LIABILITIES		643,497	578,344	533,126
CONTINGENCIES AND CONTRACTUAL COMMITMENTS	27			
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		1,137,905	924,561	952,532

On behalf of the Board

Yuriy Kosyuk/Chief Executive Officer

Viktoria Kapelyushnaya/Chief Financial Officer

The notes on pages 9 to 62 form an integral part of these consolidated financial statements.
Independent auditors' report is on pages 2-3.

MHP S.A. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED 31 DECEMBER 2009, 2008 AND 2007

(in US Dollars and in thousands, except per share data)

	Notes	2009	2008	2007
Continuing operations				
REVENUE	29, 5	711,004	802,910	474,437
Net change in fair value of biological assets and agricultural produce	5	35,236	6,327	14,241
COST OF SALES	30	(499,163)	(571,710)	(365,018)
GROSS PROFIT		247,077	237,527	123,660
Selling, general and administrative expenses	31	(80,972)	(80,495)	(51,599)
Government grants recognized as income	26	67,812	107,663	56,289
Other operating expenses	32	(15,209)	(10,022)	(7,275)
Other operating income		576	600	1,306
OPERATING PROFIT BEFORE LOSS ON IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT		219,284	255,273	122,381
Loss on impairment of property, plant and equipment	8	(1,304)	(11,767)	(10,238)
OPERATING PROFIT		217,980	243,506	112,143
Finance costs, net	33	(50,817)	(51,663)	(49,482)
Finance income		3,823	6,695	-
Foreign exchange losses, net	28	(23,580)	(187,127)	(13,059)
Other expenses		(712)	(784)	(734)
Gain realized from acquisitions and changes in minority interest in subsidiaries, net	2	5,413	4,482	1,285
Other income		1,408	1,085	669
OTHER EXPENSES, NET		(64,465)	(227,312)	(61,321)
PROFIT BEFORE TAX		153,515	16,194	50,822
Income tax benefit/(expense)	9	6,488	(1,279)	(428)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		160,003	14,915	50,394
Discontinued operations				
Loss for the year from discontinued operations, net of income tax	6	-	(9,722)	(3,601)
PROFIT FOR THE YEAR		160,003	5,193	46,793
Other comprehensive income				
Effect of revaluation of property, plant and equipment		11,912	-	11,124
Deferred tax charged directly to revaluation reserve		(2,541)	-	(2,250)
Cumulative translation difference		(15,822)	(228,991)	-
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR, NET OF TAX		(6,451)	(228,991)	8,874
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		153,552	(223,798)	55,667
PROFIT ATTRIBUTABLE TO:				
Equity holders of the Parent		148,564	1,518	40,870
Minority interest		11,439	3,675	5,923
TOTAL COMPREHENSIVE INCOME/(LOSS) ATTRIBUTABLE TO:				
Equity holders of the Parent		142,113	(227,473)	49,744
Minority interest		11,439	3,675	5,923
EARNINGS PER SHARE	36			
From continuing operations (USD per share):				
Basic and diluted		1.34	0.11	0.44
From continuing and discontinued operations (USD per share):				
Basic and diluted		1.34	0.01	0.41

On behalf of the Board

Yuriy Kosyuk/Chief Executive Officer

Viktoria Kapelyushnaya/Chief Financial Officer

The notes on pages 9 to 62 form an integral part of these consolidated financial statements.
Independent auditors' report is on pages 2-3.

MHP S.A. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEARS ENDED 31 DECEMBER 2009, 2008 AND 2007

(in US Dollars and in thousands)

	Attributable to Equity Holders of the Parent							
	Share capital	**Additional paid-in capital**	**Revaluation reserve**	**Cumulative translation difference**	**Retained earnings**	**Total**	**Minority interest**	**Total equity**
1 January 2007	**251,311**	**56,973**	**536**	**6,292**	**39,425**	**354,537**	**12,331**	**366,868**
Profit for the year	-	-	-	-	40,870	40,870	5,923	46,793
Other comprehensive income	-	-	8,874	-	-	8,874	-	8,874
Total comprehensive income for the year	-	-	8,874	-	40,870	49,744	5,923	55,667
Effect of sale of subsidiary to the Principal Shareholder, net of income tax effect (Note 2)	-	430	-	-	-	430	(3,039)	(2,609)
Effect of sale of building to the Principal Shareholder, net of income tax effect (Note 7)	-	405	-	-	-	405	-	405
Acquisition and changes in minority interests in subsidiaries (Note 2)	-	2,251	-	-	-	2,251	(4,147)	(1,896)
Increase in minority interest due to increase in share capital of subsidiary	-	-	-	-	667	667	304	971
31 December 2007	**251,311**	**60,059**	**9,410**	**6,292**	**80,962**	**408,034**	**11,372**	**419,406**
Profit for the year	-	-	-	-	1,518	1,518	3,675	5,193
Other comprehensive income	-	-	-	(228,991)	-	(228,991)	-	(228,991)
Total comprehensive income for the year	-	-	-	(228,991)	1,518	(227,473)	3,675	(223,798)
Increase in share capital (net of issue costs) (Note 20)	33,194	118,756	-	-	-	151,950	-	151,950
Acquisition and changes in minority interest in subsidiaries (Note 2)	-	-	-	-	-	-	(1,341)	(1,341)
31 December 2008	**284,505**	**178,815**	**9,410**	**(222,699)**	**82,480**	**332,511**	**13,706**	**346,217**
Profit for the year	-	-	-	-	148,564	148,564	11,439	160,003
Other comprehensive income	-	-	9,371	(15,822)	-	(6,451)	-	(6,451)
Total comprehensive income for the year	-	-	9,371	(15,822)	148,564	142,113	11,439	153,552
Acquisition and changes in minority interest in subsidiaries (Note 2)	-	-	-	-	-	-	(5,361)	(5,361)
31 December 2009	**284,505**	**178,815**	**18,781**	**(238,521)**	**231,044**	**474,624**	**19,784**	**494,408**

On behalf of the Board

Yuriy Kosyuk/Chief Executive Officer

Viktoria Kapelyushnaya/Chief Financial Officer

The notes on pages 9 to 62 form an integral part of these consolidated financial statements.
Independent auditors' report is on pages 2-3.

MHP S.A. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED 31 DECEMBER 2009, 2008 AND 2007
(in US Dollars and in thousands)

	2009	2008	2007
OPERATING ACTIVITIES			
Profit before tax from continuing and discontinued operations	153,515	6,472	47,187
Adjustments to reconcile profit to net cash provided by operations			
Depreciation of property, plant and equipment	51,677	57,394	44,814
Finance costs, net	50,817	51,663	49,482
Finance income	(3,823)	(6,695)	-
Net change in fair value of biological assets and agricultural produce	(35,236)	(4,945)	(11,095)
Loss on disposal of discontinued operation	-	6,193	-
Gain realized from acquisitions and changes in minority interest in subsidiaries, net	(5,413)	(4,482)	(1,285)
Non-operating foreign exchange loss, net	23,580	187,127	13,059
Change in allowance for irrecoverable amounts and direct write-offs	9,594	5,873	5,215
Impairment of property, plant and equipment	1,304	11,767	10,238
(Gain)/loss on disposal of property, plant and equipment	(8)	1,145	(660)
Other non-cash items	-	-	(777)
Operating profit before working capital changes	246,007	311,512	156,178
(Increase)/decrease in inventories	(55,679)	(12,106)	14,446
Increase in biological assets	(17,160)	(23,066)	(34,138)
Increase in agricultural produce	(8,767)	(44,603)	(8,879)
Decrease in natural gas stock	-	-	3,675
Decrease/(increase) in other current assets	439	(726)	(3,422)
Increase in taxes recoverable and prepaid	(42,340)	(39,759)	(150)
Increase in trade accounts receivable	(14,459)	(25,480)	(3,862)
(Decrease)/increase in other long-term payables	(66)	(2,523)	531
Increase/(decrease) in trade accounts payable	48,051	(976)	11,391
Increase in other current liabilities	13,049	6,278	11,491
(Decrease)/increase in deferred income	(792)	2,405	(344)
Cash generated by operations	168,283	170,956	146,917
Finance costs paid	(47,494)	(51,861)	(47,633)
Interest received	3,737	5,976	769
Income tax paid	(1,464)	(2,353)	(1,488)
Net cash generated by operating activities	123,062	122,718	98,565
INVESTING ACTIVITIES			
Purchases of property, plant and equipment	(135,257)	(179,695)	(100,149)
Purchases of other non-current assets	(3,445)	(2,688)	(3,398)
Proceeds from sale of building to the Principal Shareholder	-	-	4,005
Proceeds from disposal of subsidiary, net of cash disposed	-	(17)	4,798
Proceeds from disposals of property, plant and equipment	1,545	3,957	6,529
Purchases of non-current biological assets	(5,604)	(1,462)	(11,498)
Financial aid provided in relation to acquisition of subsidiaries and acquisition of minority interest in subsidiaries	-	(17,432)	-
Investments in short-term deposits	(7,608)	(57,711)	(11,442)
Withdrawals of short-term deposits	25,330	42,130	3,387
Loans provided to employees, net	(758)	(1,022)	(1,053)
Loans (provided to)/repaid by related parties, net	(70)	(136)	673
Contributions to share capital of subsidiaries by minority shareholders	-	-	737
Acquisition of subsidiaries, net of cash acquired	-	456	-
Net cash used in investing activities	(125,867)	(213,620)	(107,411)

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED 31 DECEMBER 2009, 2008 AND 2007 (CONTINUED)
(in US Dollars and in thousands)

	2009	2008	2007
FINANCING ACTIVITIES			
Proceeds from loans received	447,037	274,618	156,084
Repayment of bank loans	(446,068)	(238,716)	(166,284)
Repayments of corporate bonds issued	-	(41,288)	-
Transaction costs related to corporate bonds issued	-	-	(2,106)
Finance lease payments	(22,957)	(18,544)	(13,175)
Proceeds from other financing received	6,366	13,846	-
Repayment of other financing	(12,554)		-
Issue of share capital, net of issue costs	-	151,950	-
Net cash (used in)/generated by financing activities	(28,176)	141,866	(25,481)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(30,981)	50,964	(34,327)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	54,072	10,088	44,415
Effect of translation to presentation currency and exchange rate changes on the balance of cash and cash equivalents held in foreign currencies	(843)	(6,980)	-
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	22,248	54,072	10,088

On behalf of the Board

Yuriy Kosyuk/Chief Executive Officer

Viktoria Kapelyushnaya/Chief Financial Officer

The notes on pages 9 to 62 form an integral part of these consolidated financial statements.
Independent auditors' report is on pages 2-3.

1. DESCRIPTION OF THE BUSINESS

MHP S.A. (the "Parent" or "MHP S.A."), a limited liability company registered under the laws of Luxembourg, was formed on 30 May 2006. MHP S.A. was formed to serve as the ultimate holding company of OJSC "Myronivsky Hliboproduct" ("MHP") and its subsidiaries (the "Group"). The registered address of MHP S.A. is 5, rue Guillaume Kroll, L-1822 Luxembourg.

The controlling shareholder of the Group is the Chief Executive Officer of MHP S.A. Mr. Yuriy Kosyuk ("Principal Shareholder"), who owns 100% of the shares of WTI Trading Limited ("WTI"), which is the immediate majority shareholder of MHP S.A.

The principal business activities of the Group are agricultural operations (poultry and related operations), grain growing, as well as meat processing, cultivation and selling fruits and producing beef and meat products ready for consumption (other agricultural operations). The Group's poultry and related operations integrate all functions related to the production of chicken, including hatching, fodder manufacturing, raising chickens to marketable age ("grow-out"), processing and marketing of branded chilled products and include the production and sale of chicken products, sunflower oil, mixed fodder and convenience food products. Grain growing comprises the production and sale of grains. Other agricultural operations comprise the production and sale of cooked meat, sausages, beef, goose meat, foie gras, fruits and feed grains.

The Group has been undertaking a large-scale investment program on expansion of its poultry and related operations, with the first launch in 2007 of a major poultry meat production complex, Myronivska poultry farm. In June 2009, the Group completed the stage two of Myronivska poultry complex, and it reached full production capacity during the third quarter of the year, which contributed to the increased production of the poultry meat and related products.

The Group's operational facilities are located in different regions of Ukraine, including Kyiv, Cherkasy, Dnipropetrovsk, Donetsk, Ivano-Frankivsk, Vinnytsya, Kherson regions and Autonomous Republic of Crimea.

Prior to 2007, the Group also had natural gas related operations which were discontinued in the first quarter of 2007 (see Note 6).

The primary subsidiaries and the principal activities of the companies forming the Group as of 31 December 2009, 2008 and 2007 were as follows (for details of changes see Note 2):

Operating entity	Country of registration	Year established/ acquired	Principal activity	Effective ownership interest*, %		
				2009	2008	2007
MHP S.A.	Luxembourg	2006	Holding company	Parent	Parent	Parent
RHL	Republic of Cyprus	2006	Sub-holding company	100	100	100
MHP	Ukraine	1998	Management, marketing and sales	99.9	99.9	99.8
Myronivsky Zavod po Vygotovlennyu Krup i Kombikormiv (“MZVKK”)	Ukraine	1998	Fodder and sunflower oil production	88.5	88.5	84.7
Peremoga Nova (“Peremoga”)	Ukraine	1999	Chicken farm	99.9	99.9	99.8
Druzhba Narodiv Nova (“Druzhba Nova”)	Ukraine	2002	Chicken farm	99.9	99.9	99.8
Oril-Leader (“Oril”)	Ukraine	2003	Chicken farm	99.9	99.9	99.8
Tavriysky Kombikormovy Zavod (“TKZ”)	Ukraine	2004	Fodder production	99.9	99.9	99.9
Ptahofabryka Shahtarska Nova (“Shahtarska”)	Ukraine	2003	Breeder farm	99.9	99.9	99.8
Myronivska Pticefabrica (“Myronivska”)	Ukraine	2004	Chicken farm	99.9	99.9	99.8
Starynska Ptahofabryka (“Starynska”)	Ukraine	2003	Breeder farm	94.9	84.9	84.8
Ptahofabryka Snyatynska Nova (“Snyatynska”)	Ukraine	2005	Geese breeder farm	99.9	99.9	99.8
Zernoproduct	Ukraine	2005	Fodder grain cultivation	89.9	89.9	89.8
Katerynopilsky Elevator	Ukraine	2005	Fodder production and grain storage	99.9	99.9	99.8
Druzhba Narodiv (“Druzhba”)	Ukraine	2006	Cattle breeding, plant cultivation	99.9	99.0	95.3
Agrofirma Kyivska (“Kyivska”)	Ukraine	2006	Cattle breeding	N/A	N/A	75.8
Crimean Fruit Company (“Crimean Fruit”)	Ukraine	2006	Fruits and fodder grain cultivation	81.9	81.9	81.8
NPF Urozhay (“Urozhay”)	Ukraine	2006	Fodder grain cultivation	89.9	89.9	89.8
Agrofort (“AGF”)	Ukraine	2006	Fodder grain cultivation	86.1	86.1	86.0
Zernoproduct-Lypivka (“ZPL”)	Ukraine	2006	Fodder grain cultivation	63.0	63.0	62.9
Ukrainian Bacon	Ukraine	2008	Meat processing	79.9	79.9	N/A

* Effective voting rights in subsidiaries did not differ from effective ownership rights. Direct ownership interest in subsidiaries by the Parent differs from the effective ownership interest due to cross holdings between subsidiaries.

2. CHANGES IN THE GROUP STRUCTURE

Detailed below is the information on acquisitions and disposals of subsidiaries, as well as changes in minority interests in subsidiaries of the Group during the years ended 31 December 2009, 2008 and 2007.

Acquisitions

Ukrainian Bacon

In July 2008, the Group acquired from a third party a 80.0% interest in Ukrainian Bacon, a meat processing company. The transaction was accounted for under the purchase method of accounting. The Group's effective ownership interest in Ukrainian Bacon upon the acquisition and as of 31 December 2009 and 2008 was 79.9%.

The fair value of the net assets acquired was as follows:

Property, plant and equipment, net	28,737
Prepayments for property, plant and equipment	662
Other non-current assets	302
Taxes recoverable and prepaid, net	3,492
Other current assets, net	2,605
Trade accounts receivable, net	107
Accounts receivable from the Group	732
Inventories	1,408
Cash and cash equivalents	456
Total assets	**38,501**
Deferred tax liabilities	(2,630)
Trade accounts payable	(7,501)
Accounts payable to the Group	(20,344)
Other current liabilities	(2,989)
Total liabilities	**(33,464)**
Net assets acquired	**5,037**
Fair value of net assets attributable to 80% ownership interest	4,030
Fair value of the consideration payable	(469)
Gain realized upon acquisition	**3,561**
Cash consideration paid	-
Cash acquired	456
Net cash inflow arising on the acquisition	**456**

The gain realized upon acquisition was recognized within *Gain realized from acquisitions and changes in minority interest in subsidiaries* for the year ended 31 December 2008.

The "pro forma" revenues and results for the year ended 31 December 2008, had the acquisition of Ukrainian Bacon been completed on 1 January 2008, would have been USD 809,358 thousand and USD 3,793 thousand, respectively. The "pro forma" earnings per share would have been USD 0.11 and USD 0.01 per share from continuing and continuing and discontinued operations, respectively.

These “pro forma” revenues and results do not reflect any adjustments related to other transactions. The “pro forma” results represent an approximate measure of the performance of the combined group on an annualized basis. The unaudited “pro forma” information does not purport to represent what the Group’s financial position or results of operations would actually have been if these transactions had occurred at such dates or to project the Group’s future results of operations.

Disposal of subsidiaries

Kyivska

In December 2008, prior to the sale of its interest, the Group increased the share capital of Kyivska, a cattle breeding farm, which resulted in an increase in the Group’s effective ownership to 99.7%. The transaction did not have effect on the minority interests due to negative net assets of Kyivska as of the date of the transaction. The Group subsequently sold its interest in Kyivska prior to the year end.

In December 2008, the Group sold its voting rights in Kyivska to a third party for a consideration of USD 974 thousand, receivable in cash during the period from 2011 till 2017. The fair value of the consideration receivable was determined at USD 341, which is the present value of the expected future cash flows.

Assets and liabilities of Kyivska as of the date of disposal were as follows:

Property, plant and equipment, net	3,709
Biological assets	1,723
Agricultural produce	1,507
Amounts receivable from the Group	8,300
Inventories	224
Taxes recoverable and prepaid, net	1,123
Cash and cash equivalents	17
Total assets	**16,603**
Accounts payable to the Group	(9,315)
Trade accounts payable	(501)
Other current liabilities	(240)
Total liabilities	**(10,056)**
Net assets disposed	**6,547**
Group’s share in net assets disposed (99.8%)	6,534
Fair value of consideration receivable	(341)
Loss on disposal	**(6,193)**
Cash consideration received	-
Cash disposed	(17)
Net cash outflow arising on the disposal	**(17)**

The disposal of Kyivska was accounted for in these consolidated financial statements as a discontinued operation (Note 6). The loss realized on disposal of Kyivska in the amount of USD 6,193 thousand was recognized in these consolidated financial statements in *Loss for the year from discontinued operations, net of income tax.*

Kyivska assets and liabilities were presented in these consolidated financial statements within the other agricultural business segment.

ZZG

In April 2007, the Group sold its shares in ZZG, a company engaged in minks production, to its Principal Shareholder for a cash consideration of USD 4,798 thousand. The excess of the consideration received by the Group over the carrying value of the net assets of ZZG of USD 430 thousand was recorded in shareholders' equity.

Assets and liabilities of ZZG as of the date of disposal were as follows:

Property, plant and equipment, net	2,392
Non-current biological assets (mink)	3,006
Accounts receivable and other current assets, net	2,368
Current liabilities (including payables to the Group of USD 325)	(363)
Net assets disposed	**7,403**
Net assets attributable to 59% ownership in ZZG	4,368
Sale price	(4,798)
Gain recorded in shareholders' equity	**(430)**
Cash consideration received	4,798
Cash disposed	-
Net cash inflow arising on the disposal	**4,798**

The financial results of ZZG for the years ended 31 December 2007 were insignificant. ZZG assets and liabilities were presented in these consolidated financial statements within the other agricultural business segment.

Changes in minority interests in subsidiaries

TKZ

Prior to April 2007, the Group's ownership interest in TKZ was 29.4%. Even so, the Group consolidated TKZ as the Group exercised the power to govern the financial and operating policies of TKZ and obtained the benefits of TKZ's activities.

Subsequently, in April 2007 a subsidiary of the Group acquired 70.6% of the participatory interests in TKZ from Allied Tech LLC (Note 7) for cash consideration of USD 200 thousand.
The acquisition of an additional 70.6% ownership interest in TKZ resulted in a decrease in minority interest of USD 2,451 thousand. The resulting excess of the book value of the minority interest over cash consideration paid of USD 2,251 thousand was recognized in these consolidated financial statements as an adjustment to shareholders' equity.

Druzhba

During the year ended 31 December 2007, through a series of transactions, the Group increased its effective ownership in Druzhba to 95.3%. These transactions resulted in the recognition of USD 1,285 thousand in these consolidated financial statements in *Gain realized from acquisitions and changes in minority interest in subsidiaries.*

In August 2008, Druzhba decreased its share capital by repurchasing shares from a number of its minority shareholders, which resulted in an increase of the Group's effective ownership in Druzhba from 95.3% to 99.0%. Consideration payable to the minority shareholders in exchange for the shares in the amount of USD 1,744 thousand was determined based on the respective shareholder's share in the net assets of Druzhba, as recorded in the statutory financial statements as of the date of transaction, and was payable in cash or in kind, depending on the agreements reached with each shareholder. The excess of the fair value of the acquired share over the consideration payable of USD 161 thousand was recognized in these consolidated financial statements in *Gain realized from acquisitions and changes in minority interest in subsidiaries*.

In September 2009, as a result of transfer of treasury shares held by Druzhba to MHP, the Group increased its effective ownership in Druzhba to 99.9%. The gain on the transfer in the amount of USD 304 thousand was recognized in these consolidated financial statements in *Gain realized from acquisitions and changes in minority interest in subsidiaries*.

MHP

In September 2008 the Group increased the share capital of MHP, which resulted in the Group owning 99.9% in MHP as of 31 December 2008. The gain on the transaction in the amount of USD 718 thousand was recognized in these consolidated financial statements in *Gain realized from acquisitions and changes in minority interest in subsidiaries.*

MZVKK

During the year ended 31 December 2008, through a series of transactions, the Group increased its effective share in MZVKK from 84.7% to 88.5%. The excess of the fair value of the share of the net assets acquired over the purchase price in the amount of USD 42 thousand was recognized in these consolidated financial statements in *Gain realized from acquisitions and changes in minority interest in subsidiaries.*

Starynska

In April 2009 the Group increased the share capital of Starynska by USD 2,594 thousand, which resulted in dilution of the minority interest. As a result, the Group's effective ownership interest increased to 94.9%. The resulting effect of change in minority interest in the amount of USD 5,107 thousand was recognized in these consolidated financial statements in *Gain realized from acquisitions and changes in minority interest in subsidiaries.*

Other

The Group made other insignificant acquisitions during each of the periods presented.
These acquisitions have been accounted for based on the Group's accounting policies. The impact of these acquisitions was not significant to the consolidated financial statements of the Group.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation and accounting − The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS"). The operating subsidiaries of the Group maintain their accounting records under Ukrainian Accounting Standards ("UAS"). UAS principles and procedures may differ from those generally accepted under IFRS. Accordingly, the consolidated financial statements, which have been prepared from the Group entities' UAS records, reflect adjustments necessary for such financial statements to be presented in accordance with IFRS.

The consolidated financial statements of the Group are prepared on the historical cost basis, except for revalued amounts of property, plant and equipment, biological assets, agricultural produce, natural gas in stock and certain financial instruments.

Adoption of new and revised International Financial Reporting Standards – The following new and revised Standards and Interpretations have been adopted in the current year:

- IAS 1 "Presentation of Financial Statements" (Revised 2007);
- IAS 23 "Borrowing Costs" (Revised 2007);
- IFRS 8 "Operating Segments";
- IFRIC 13 "Customer Loyalty Programmes ";
- IFRIC 15 "Agreements for the Construction of Real Estate";
- IFRIC 16 "Hedges of a Net Investment in a Foreign Operation";
- IFRIC 18 "Transfers of Assets from Customers";
- Amendment to IFRS 7 "Financial Instruments: Disclosures" (March 2009);
- Amendments to IAS 32 "Financial Instruments: Presentation" and IAS 1 "Presentation of Financial Statements" – Puttable Financial Instruments and Obligations Arising on Liquidation;

In the current year, the Group also adopted amendments to a number of Standards resulting from annual improvements to IFRS that are effective for annual periods beginning on or after 1 January 2009.

IAS 1 "Presentation of Financial Statements" (Revised 2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements.

IAS 23 "Borrowing Costs" (Revised 2007) eliminated the option to expense all borrowing costs when incurred. Adoption of this Standard resulted in a change in the Group accounting policy on borrowing costs (see below), which is applied to borrowing costs relating to qualifying assets for which the commencement date for capitalization is on or after 1 January 2009.

IFRS 8 "Operating Segments" requires operating segments to be identified on the basis on internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance. In contrast, the predecessor Standard (IAS 14 "Segment Reporting") required an entity to identify two sets of segments (business and geographical), using a risks and returns approach, with the entity's system of internal financial reporting to key management personnel serving as the starting point for the identification of such segments. Adoption of this Standard did not result in a change in the Group's reportable segments.

Adoption of other Standards and Interpretations did not have any significant impact on the amounts reported in these financial statements but may affect the accounting for future transactions and arrangements.

Standards and Interpretations in issue but not effective – At the date of authorization of these consolidated financial statements, the following Standards and Interpretations, as well as amendments to the Standards were in issue but not yet effective:

Standard / Interpretation	**Effective for annual accounting period beginning on or after:**
IFRS 1 "First-time Adoption of International Financial Reporting Standards (Revised November 2008)	1 July 2009
IFRS 3 "Business Combinations" (Revised January 2008)	1 July 2009
IFRS 9 "Financial Instruments: Classification and Measurement"	1 January 2013*
IFRIC 17 "Distributions of Non-cash Assets to Owners"	1 July 2009
IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments"	1 July 2010*
Amendments to IAS 27 "Consolidated and Separate Financial Statements" (January 2008)	1 July 2009
Amendment to IAS 39 "Financial Instruments: Recognition and Measurement" – Eligible Hedged Items (July 2008)	1 July 2009
Amendments to IFRIC 9 "Reassessment of Embedded Derivatives" and IAS 39 "Financial Instruments: Recognition and Measurement"	30 June 2009
Amendments to IAS 24 "Related Party Disclosures" (2009)	1 January 2011*

* Standards and Interpretations not endorsed by the European Union.

As of the date of authorization of these consolidated financial statements, there were also amendments to other Standards and Interpretation issued resulting from annual improvements to IFRS that are effective in future periods.

The management is currently evaluating the impact of the adoption of IAS 27 "Consolidated and Separate Financial Statements" and IFRS 3 "Business Combinations" (Revised January 2008) and IFRS 9 "Financial Instruments: Classification and Measurement". For other Standards and Interpretations management anticipates that their adoption in future periods will have no material effect on the consolidated financial statements of the Group.

Functional and presentation currency – The functional currency of the Group is the Ukrainian Hryvnia ("UAH"). Transactions in currencies other than the functional currency of the Group are treated as transactions in foreign currencies. Such transactions are initially recorded at the rates of exchange ruling on the dates of the transactions. Monetary assets and liabilities denominated in such currencies are translated at the rates prevailing on the balance sheet date. All realized and unrealized gains and losses arising on exchange differences are included in the consolidated statement of comprehensive income for the period.

These consolidated financial statements are presented in US Dollars ("USD"), which is the Group's presentation currency.

The results and financial position of the Group are translated into the presentation currency using the following procedures:

- Assets and liabilities for each consolidated balance sheet presented are translated at the closing rate as of the date of that balance sheet;
- Income and expenses for each consolidated statement of comprehensive income are translated at exchange rates at the dates of the transactions;
- All resulting exchange differences are recognized as a separate component of equity.

The relevant exchange rates were:

	As of 31 December 2009	**Average for 2009**	**As of 31 December 2008**	**Average for 2008**	**As of 31 December 2007**	**Average for 2007**
UAH/USD	7.9850	7.7916	7.7000	5.2693	5.0500	5.0500
UAH/EUR	11.4489	10.8736	10.8555	7.7114	7.4195	6.9192

Basis of consolidation − The consolidated financial statements incorporate the financial statements of the Parent and entities controlled by the Parent (its subsidiaries). Control is achieved when the Parent has the power to govern the financial and operating policies of an investee, either directly or indirectly, so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements of the Group from the date when control effectively commences.

All significant intercompany transactions, balances and unrealized gains/(losses) on transactions are eliminated on consolidation, unless when the intragroup losses indicate an impairment that requires recognition in the consolidated financial statements.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used in line with those adopted by the Group.

Accounting for acquisitions − The acquisitions of subsidiaries from third parties are accounted for using the purchase method. On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values. The interest of minority shareholders of subsidiaries acquired from third parties is stated at the minority's proportion of the fair values of the assets and liabilities recognized. The excess of the cost of acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition is recognized as goodwill.

Any excess of the fair value of the share in net identifiable assets over the cost of acquisition is recognized immediately in the consolidated statement of comprehensive income.

The acquisition of an additional interest in entities controlled by the Group are accounted for based on the fair value of the net assets at the date of acquisition.

When an acquisition of a legal entity does not constitute a business, the cost of the group of assets is allocated between the individual identifiable assets in the group based on their relative fair values.

Accounting for transactions with entities under common control − The assets and liabilities of subsidiaries acquired from entities under common control are recorded in these consolidated financial statements at pre-acquisition carrying values. Any difference between the carrying value of net assets of these subsidiaries, and the consideration paid by the Group is accounted for in these consolidated financial statements as an adjustment to shareholders' equity. The results of the acquired entity are reflected from the date of acquisition.

Any gain or loss on disposals to entities under common control are reflected as a component of shareholders' equity.

Discontinued operations – Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered through a sale transaction rather than through continuing use.

This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification. Non-current assets and disposal groups classified as held for sale are measured at the lower of the assets' carrying amount and fair value less costs to sell.

If the criteria of classification of the disposal group held for sale are met after the balance sheet date, disposal group is not presented as held for sale in those financial statements when issued. However, when those criteria are met after the balance sheet date but before the authorization of the financial statements for issue, the Group discloses the respective information in notes to the financial statements.

Non-current assets or disposal groups to be abandoned are not classified as held for sale as the carrying amount will be recovered principally through continuing use. Non-current assets or disposal groups to be abandoned include non-current assets or disposal groups that are to be used to the end of their economic life or to be closed rather than sold. The assets or disposal groups to be abandoned are reported as discontinued operations in the period at which they are abandoned.

Property, plant and equipment – Property, plant and equipment are carried at historical cost, or at less accumulated depreciation and accumulated impairment losses, except for grain storage facilities, which are carried at revalued amounts, being their fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The historical cost of an item of property, plant and equipment comprises (a) its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates; (b) any costs directly attributable to bringing the item to the location and condition necessary for it to be capable of operating in the manner intended by the management of the Group; (c) the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, (d) the obligation for which the Group incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period; and (e) for qualifying assets, borrowing costs capitalized in accordance with the Group's accounting policy

Subsequently capitalized costs include major expenditures for improvements and replacements that extend the useful lives of the assets or increase their revenue generating capacity. Repairs and maintenance expenditures that do not meet the foregoing criteria for capitalization are charged to the consolidated statement of comprehensive income as incurred.

For grain storage facilities revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the balance sheet date. If the asset's carrying amount is increased as a result of a revaluation, the increase is credited directly to equity as a revaluation reserve. However, such increase is recognized in the profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognized in the profit or loss. If the asset's carrying amount is decreased as a result of a revaluation, the decrease is recognized in the profit or loss. However, such decrease is debited directly to the revaluation reserve to the extent of any credit balance existing in the revaluation reserve in respect of that asset.

Depreciation on revalued assets is charged to the profit or loss. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus remaining in the revaluation reserve is transferred directly to retained earnings. No transfer is made from the revaluation reserve to retained earnings except when an asset is derecognized.

Depreciation of property, plant and equipment is charged so as to write off the depreciable amount over the useful life of an asset and is calculated using a straight line method. Useful lives of the groups of property, plant and equipment are as follows:

Buildings and structures	15-35 years
Grain storage facilities	20-35 years
Machinery and equipment	10-15 years
Utilities and infrastructure	10 years
Vehicles and agricultural machinery	5-15 years
Office furniture and equipment	3-5 years

Depreciable amount is the cost of an item of property, plant and equipment, or revalued amount, less its residual value. The residual value is the estimated amount that the Group would currently obtain from disposal of the item of property, plant and equipment, after deducting the estimated costs of disposal, if the asset was already of the age and in the condition expected at the end of its useful life.

The depreciable amount of assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

The residual value, the useful lives and depreciation method are reviewed at each financial year-end. The effect of any changes from previous estimates is accounted for prospectively as a change in an accounting estimate.

The gain or loss arising on a sale or disposal of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Construction in progress comprises costs directly related to construction of property, plant and equipment including an appropriate allocation of directly attributable variable overheads that are incurred in construction. Construction in progress is not depreciated. Depreciation of the construction in progress, on the same basis as for other property, plant and equipment items, commences when the assets are available for use, i.e. when they are in the location and condition necessary for them to be capable of operating in the manner intended by the management.

At each balance sheet date, the Group reviews the carrying amounts of its property, plant and equipment to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the profit or loss unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease. Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in the profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Income taxes − Income taxes have been computed in accordance with the laws currently enacted in jurisdictions where operating entities are located. Income tax is calculated based on the results for the year as adjusted for items that are non-assessable or non-tax deductible. It is calculated using tax rates that have been enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the consolidated financial statements and the corresponding tax basis used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized.

Deferred tax is charged or credited to the profit or loss, except when it relates to items credited or charged directly to equity or other comprehensive income, in which case the deferred tax is also dealt with in equity or other comprehensive income.

Deferred tax assets and liabilities are offset when:

- The Group has a legally enforceable right to set off the recognized amounts of current tax assets and current tax liabilities;
- The Group has an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously;
- The deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority in each future period in which significant amounts of deferred tax liabilities and assets are expected to be settled or recovered.

The majority of the Group companies that are involved in agricultural production (poultry farms and other entities engaged in agricultural production) benefit substantially from the status of an agricultural producer. These companies are exempt from income taxes and pay the Fixed Agricultural Tax instead (Note 9).

Inventories − Inventories are stated at the lower of cost and net realizable value. Cost comprises raw materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present locations and condition.

Cost is calculated using the FIFO (first-in, first-out) method. Net realizable value is determined as the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Agriculture related production process results in production of joint products: main and by-products. A by-product arising from the process is measured at net realizable value and this value is deducted from the cost of the main product.

Biological assets and agricultural produce − Agricultural activity is defined as a biological transformation of biological assets for sale into agricultural produce or into additional biological assets. The Group classifies hatchery eggs, live poultry and other animals and plantations as biological assets.

The Group recognizes a biological asset or agricultural produce when the Group controls the asset as a result of past events; it is probable that future economic benefits associated with the asset will flow to the Group; and the fair value or cost of the asset can be measured reliably.

Biological assets are stated at fair value less estimated costs to sell at both initial recognition and as of the balance sheet date, with any resulting gain or loss recognized in the consolidated profit or loss. Costs to sell include all costs that would be necessary to sell the assets, including costs necessary to get the assets to market.

The difference between fair value less costs to sell and total production costs is allocated to biological assets held in stock as of each balance sheet date as a fair value adjustment.

The change in this adjustment from one period to another is recognized in *Net change in fair value of biological assets and agricultural produce* in the profit or loss.

Agricultural produce harvested from biological assets is measured at its fair value less costs to sell at the point of harvest. A gain or loss arising on initial recognition of agricultural produce at fair value less costs to sell is included in the profit or loss.

Based on the above policy, the principal groups of biological assets and agricultural produce are stated as follows:

Biological Assets

(i) Broilers

Broilers comprise poultry held for chicken meat production. Fair value of broilers is determined by reference to the cash flows that will be obtained from sales of 44-day aged chickens, with an allowance for costs to be incurred and risks to be faced during the remaining transformation process.

(ii) Breeders

The fair value of breeders is determined using the discounted cash flow approach based on hatchery eggs market prices.

(iii) Cattle and pigs

Cattle held for regeneration of livestock population and animals raised for milk and beef and pork meat production. The fair value of livestock is determined based on market prices of livestock of similar age, breed and genetic merit. Cattle, for which market-determined prices or values are not available and for which alternative estimates of fair value are determined to be clearly unreliable, are measured using the present value of expected net cash flows from the asset discounted at a current market-determined pre-tax rate.

(iv) Orchards

Orchards consist of plants used for fruits production. Fruit trees achieve the normal productive age in the second to fifth year. The fair value of orchards which have attained normal productive age is determined using the discounted cash flow approach.

(v) Crops in fields

The fair value of crops in fields is determined by reference to the cash flows that will be obtained from sales of harvested crops, with an allowance for costs to be incurred and risks to be faced during the remaining transformation process.

Agricultural Produce

(i) Dressed poultry, beef and pork

The fair value of dressed poultry, beef and pork is determined by reference to market prices at the point of harvest.

(ii) Fodder grain and fruits

The fair value of fodder grain and fruits is determined by reference to market prices at the point of harvest.

The Group's biological assets are classified into bearer and consumable biological assets depending upon the function of a particular group of biological assets in the Group's production process. Consumable biological assets are those that are to be harvested as agricultural produce, and include hatchery eggs and live broiler poultry intended for the production of meat, as well as pork and meat cows. Bearer biological assets include poultry held for hatchery eggs production, orchards, milk cows and breeding bulls.

Financial instruments − Financial assets and financial liabilities are recognized on the Group's consolidated balance sheet when the Group becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of the financial assets and liabilities are recognized using settlement date accounting. The settlement date is the date that an asset is delivered to or by an entity. Settlement date accounting refers to (a) the recognition of an asset on the day it is received by the entity, and (b) the derecognition of an asset and recognition of any gain or loss on disposal on the day that it is delivered by the entity. The accounting policies for initial recognition and subsequent measurement of financial instruments are disclosed in the respective accounting policies set out below in this Note.

Accounts receivable − Accounts receivable are measured at initial recognition at fair value, and are subsequently measured at amortized cost using the effective interest rate method. Short-term accounts receivable, which are non-interest bearing, are stated at their nominal value. Appropriate allowances for estimated irrecoverable amounts are recognized in the profit or loss when there is objective evidence that the asset is impaired. The allowance recognized is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Cash and cash equivalents − Cash and cash equivalents include cash on hand, cash with banks, deposits and marketable securities with original maturity of less than three months.

Bank borrowings, corporate bonds issued and other long-term payables − Interest-bearing borrowings, bonds and other long-term payables are initially measured at fair value net of directly attributable transaction costs, and are subsequently measured at amortized cost using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption amount is recognized over the term of the borrowings and recorded as finance costs.

Derivative financial instruments − Derivative financial instruments are initially measured at fair value on the contract date, and are re-measured to fair value at subsequent reporting dates. The Group does not enter into financial instruments that would be accounted for as derivatives. Changes in the fair value of derivative financial instruments are recognized in the consolidated statement of comprehensive income as they arise.

Trade and other accounts payable − Accounts payable are measured at initial recognition at fair value, and are subsequently measured at amortized cost using the effective interest rate method.

Leases − Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the Group. All other leases are classified as operating leases.

Assets received by the Group under finance leases are recognized as assets of the Group at their fair value at the date of acquisition or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and a reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to the profit or loss and classified as finance costs.

Rental income or expenses under operating leases are recognized in the consolidated statement of comprehensive income on a straight-line basis over the term of the lease.

Provisions − Provisions are recognized when the Group has a present legal or constructive obligation (either based on legal regulations or implied) as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the obligation can be made.

Revenue recognition − The Group generates revenue primarily from the sale of agricultural products to end customers. Revenue is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, the amount of revenue can be measured reliably and it is probable that collection will occur. The point of transfer of risk, which may occur at delivery or shipment, varies for contracts with different types of customers.

When goods are exchanged or swapped for goods which are of a similar nature and value, the exchange is not regarded as a transaction which generates revenue. When goods are sold in exchange of dissimilar goods, the exchange is regarded as a transaction which generates revenue, and revenue is measured at the fair value of the goods received, adjusted by the amount of any cash or cash equivalents transferred.

Segment information − Segment reporting is presented on the basis of management's perspective and relates to the parts of the Group that are defined as operating segments. Operating segments are identified on the basis of internal reports to the Group's chief operating decision maker ("CODM"). The Group has identified its top management team as its CODM and the internal reports used by the top management team to oversee operations and make decisions on allocating the resources serve as the basis of information presented. These internal reports are prepared on the same basis as these consolidated financial statements.

Based on the current management structure, the Group has identified the following reportable segments:

- Poultry and related operations
- Grain growing
- Other agricultural operations

Borrowing costs – Borrowing costs include interest expenses, finance charges on finance leases and other interest-bearing long-term payables and debt service costs.

Borrowing costs directly attributable to the acquisition, construction or production of the qualifying assets, which are assets that necessarily take substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in the profit or loss in the period in which they are incurred.

Government grants − Government grants received or receivable for processing of live animals and value added tax ("VAT") grants for agricultural industry (conditional upon reinvestment of the granted funds for agricultural production purposes) and compensation of the finance costs are recognized as income over the periods necessary to match them with the related costs. To the extent the conditions attached to the grants are not met at the balance sheet date, the received funds are recorded in the Group's consolidated financial statements as deferred income. Government grants related to selection and genetics programs in breeding as well as subsidies related to crop growing are recognized at the moment when the decision to disburse the amounts to the Group is made.

Contingent liabilities and assets − Contingent liabilities are not recognized in the consolidated financial statements. They are disclosed in the notes to the consolidated financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are recognized only when the contingency is resolved.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects both current and future periods.

Critical judgements in applying accounting policies

The following are the critical judgments, apart from those involving estimations (see below), that the management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognized in financial statements.

Revenue recognition – In the normal course of business, the Group engages in sale and purchase transactions with the purpose to exchange crops in various locations to fulfill the Group's production requirements. In accordance with the Group's accounting policy, revenue is not recognized with respect to the exchange transactions involving goods of similar nature and value. The Group's management applies judgment to determine whether each particular transaction represents an exchange or a transaction that generates revenue. In making this judgment, management considers whether the underlying crops are of similar type and quality, as well as whether the time passed between the transfer and receipt of the underlying crops indicates that the substance of the transaction is an exchange of similar goods.

Recognition of inventories – During the year ended 31 December 2009, the Group acquired components for mixed fodder production from a local supplier under grain purchase financing arrangements. According to the contractual terms, legal ownership to goods passes to the Group on physical delivery to the Group's grain storage facilities, which is generally the date when inventories are recognized in the Group's financial statements. However, based on the analysis of the nature of this arrangement, management applied judgment to determine the date on which control over these goods passed to the Group. In making this judgment, management considered the relevant significance of risk and rewards associated with ownership of grains, in particular date of transfer of physical damage risk, as well as commercial risks and benefits associated with ownership. Based on this assessment, management concluded that the Group assumed risk of physical damage and obtained commercial benefits prior to obtaining legal ownership over these inventories and as such, that these inventories should be recognized on the Group's financial statements from the date when they are acquired by the supplier.

Revaluation of property, plant and equipment – As described in Note 8, the Group applies revaluation model to measurement of grain storage facilities. At each reporting date, the Group carries out a review of the carrying amount of these assets to determine whether carrying amount differs materially from fair value. The Group carries out such review by preparing a discounted cash flow analysis involving assumptions on projected revenues and costs, and a discount rate. Additionally, the Group considers economic stability and availability of transactions with similar assets in the market when determining whether to perform a fair value assessment in a given period.

Based on the results of this review, the Group concluded that grain storage facilities had to be revalued based on fair value assessment by independent appraisers as of 31 December 2009 and 2007. The valuation was determined by reference to market-based evidence.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Fair value less costs to sell of biological assets and agricultural produce – Biological assets are recorded at fair values less costs to sell. The Group estimates fair values of biological assets based on the following key assumptions:

- Average meat output for broilers and livestock for meat production
- Average productive life of breeders and cattle held for regeneration and milk production
- Expected crops output
- Projected orchards output
- Estimated changes in future sales prices
- Projected production costs and costs to sell
- Discount rate.

Although some of these assumptions are obtained from published market data, a majority of these assumptions are estimated based on the Group's historical and projected results.

Useful lives of property, plant and equipment – The estimation of the useful life of an item of property, plant and equipment is a matter of management estimate based upon experience with similar assets. In determining the useful life of an asset, management considers the expected usage, estimated technical obsolescence, physical wear and tear and the physical environment in which the asset is operated. Changes in any of these conditions or estimates may result in adjustments for future depreciation rates.

Impairment of property, plant and equipment – As described in Note 8, during the periods presented, the Group identified indicators of impairment associated with the assets used in the production of goose meat and foie gras, assets used in production of convenience foods under the "Legko!" brand, and administrative office premises, and assessed the assets' recoverable amount. In determining the recoverable amount of these assets, the Group management referred to the assets' value in use due to lack of reliable basis of estimates of the amounts obtainable from the sale of the asset in an arm's length transaction between knowledgeable and willing parties.

The value in use calculation requires management to estimate future cash inflows expected to arise from each group of assets and a suitable discount rate in order to calculate present value. In estimating the appropriate discount rates, the Group used the weighted average cost of capital, as adjusted for currency denomination of expected future cash flows and different levels of business risks assessed for each group of assets. Details of the impairment loss calculation are set out in Note 8.

VAT recoverable – Note 10 describes long-term VAT recoverable accumulated by the Group on its capital expenditures and investments in working capital. The balance of VAT recoverable may be realized by the Group either through a cash refund from the state budget or by set off against VAT liabilities with the state budget in future periods. Management classified VAT recoverable balance as current or non-current based on expectations as to whether it will be realized within twelve months from the reporting date.

In making this assessment, management considered past history of receiving VAT refunds from the state budget. For VAT recoverable expected to be set off against VAT liabilities in future periods, management based its estimates on detailed projections of expected excess of VAT output over VAT input in the normal course of the business.

5. SEGMENT INFORMATION

All of the Group's operations are located within Ukraine.

Segment information is analyzed on the basis of the types of goods supplied by the Group's operating divisions. The Group's reportable segments under IFRS 8 are therefore as follows:

Poultry and related operations segment	- sales of chicken meat - sales of sunflower oil - other poultry related sales
Other agricultural operations segment	- sales of meat processing products and other meat - other agricultural sales
Grain growing segment	- sales of grains

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 3. Sales between segments are carried out at market prices. Segment result represents operating profit before loss on impairment of property, plant and equipment, as adjusted for unallocated corporate expenses. Unallocated corporate expenses include management remuneration, representative expenses, and expenses on maintenance of office premises. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

For the purposes of monitoring segment performance and allocating resources between segments:

- All assets are allocated to reportable segments other than cash and cash equivalents and short-term deposits, administrative office premises, and income tax assets.
- All liabilities are allocated to reportable segments other than bonds issued, bank borrowings, finance leases, and income tax liabilities.

Natural gas operations discontinued during the year ended 31 December 2007 were reported as separate segments under IAS 14. This segment no longer exists under the new segment reporting under IFRS 8. In addition, during the year ended 31 December 2008 the Group disposed of its shareholding in Kyivska, which was reported in Other agricultural operations segment. The segment information reported below does not include any amounts of these discontinued operations, which are described in more detail in Note 6.

The following table presents revenue, results of operations and certain assets and liabilities information regarding segments for the year ended 31 December 2009. Unallocated corporate assets comprise of assets that are not directly attributable to particular segment. Unallocated corporate liabilities comprise of interest-bearing liabilities and liabilities that are not directly attributable to a particular segment.

	Poultry and related operations	**Other agricultural operations**	**Grain growing**	**Eliminations**	**Consolidated**
External sales	577,143	88,109	45,752	-	711,004
Sales between business segments	22,438	1,496	37,673	(61,607)	-
Total revenue	599,581	89,605	83,425	(61,607)	711,004
Segment results	196,594	3,234	35,301	-	235,129
Unallocated corporate expenses					(15,845)
Loss on impairment of property, plant and equipment					(1,304)
Other expenses, net					(64,465)
Profit before tax					**153,515**
OTHER INFORMATION:					
Segment assets	770,376	134,310	135,909		1,040,595
Unallocated corporate assets					97,310
Consolidated total assets					**1,137,905**
Segment liabilities	(96,609)	(8,089)	(4,076)		(108,774)
Unallocated corporate liabilities					(534,723)
Consolidated total liabilities					**(643,497)**
Additions to property, plant and equipment*	125,892	9,864	6,162		141,918
Depreciation	37,193	5,473	9,011		51,677
Net change in fair value of biological assets and agricultural produce	16,670	704	17,862		35,236

* Additions to property, plant and equipment in 2009 (Note 8) include unallocated additions to property, plant and equipment in the amount of USD 31,887 thousand.

The following table presents revenue, results of operations and certain assets and liabilities information regarding business segments for the years ended 31 December 2008 and 2007:

	2008					2007				
	Poultry and related operations	**Other agricultural operations**	**Grain growing**	**Eliminations**	**Consolidated**	**Poultry and related operations**	**Other agricultural operations**	**Grain growing**	**Eliminations**	**Consolidated**
External sales	660,031	93,102	49,777	-	802,910	384,865	51,082	38,490	-	474,437
Sales between business segments	20,362	1,268	17,653	(39,283)	-	10,756	573	30,182	(41,511)	-
Total revenue	680,393	94,370	67,430	(39,283)	802,910	395,621	51,655	68,672	(41,511)	474,437
Segment results	255,165	184	10,739	-	266,088	98,159	3,995	28,725	-	130,879
Unallocated corporate expenses					(10,815)					(8,498)
Loss on impairment of property, plant and equipment					(11,767)					(10,238)
Other expenses, net					(227,312)					(61,321)
Profit before tax					**16,194**					**50,822**
OTHER INFORMATION:										
Segment assets	562,485	122,430	120,287		805,202	684,952	158,434	80,207		923,593
Unallocated corporate assets					119,359					28,939
Consolidated total					**924,561**					**952,532**
Segment liabilities	(32,565)	(9,696)	(5,202)		(47,463)	(27,882)	(8,965)	(9,715)		(46,562)
Unallocated corporate liabilities					(530,881)					(486,564)
Consolidated total liabilities					**(578,344)**					**(533,126)**
Additions to property, plant and equipment	159,659	23,764	48,468		231,891	165,564	13,633	14,707		193,904
Depreciation	41,230	7,383	8,325		56,938	33,201	5,721	5,285		44,207
Net change in fair value of biological assets and agricultural produce	17,854	(1,137)	(10,390)		6,327	7,754	4,153	2,334		14,241

The Group's revenue from external customers by regions from which the revenue is derived was as follows during the years ended 31 December 2009, 2008 and 2007:

	2009	2008	2007
Ukraine	558,112	682,151	397,043
Europe	121,841	109,705	71,548
CIS	15,919	10,182	5,495
Asia	15,132	872	351
Total	**711,004**	**802,910**	**474,437**

6. DISCONTINUED OPERATIONS

Natural gas

During the year ended 31 December 2007, the Group ceased its natural gas operations.

The results of the natural gas operations segment for the years ended 31 December were as follows:

	2007
Revenue	8,872
Net change in fair value of natural gas in stock less estimated point-of-sale costs	(1,166)
Cost of sales	(7,842)
Gross loss	(136)
Other operating income	-
Operating loss	(136)
Income tax benefit (Note 9)	34
Loss for the year from discontinued operations	**(102)**

The net cash inflows from operating activities obtained by the Group in relation to the natural gas operations for the year ended 31 December 2007 comprised USD 6,164 thousand. No cash flows related to financing or investing activities from natural gas operations were incurred by the Group during the year ended 31 December 2007.

The carrying values of assets and liabilities associated with discontinued operation were nil as of 31 December 2007.

Kyivska

During the year ended 31 December 2008, the Group disposed of its shareholding in Kyivska (Note 2). The comparative information for the consolidated statement of comprehensive income has been represented to show the discontinued operations separately from continuing operations.

The results of Kyivska for the years ended 31 December 2008 and 2007 were as follows:

	2008	2007
Revenue	3,922	3,213
Net change in fair value of biological assets and agricultural produce	(1,382)	(1,980)
Cost of sales	(5,796)	(5,229)
Gross loss	(3,256)	(3,996)
Other operating (expenses)/income	(114)	564
Operating loss	(3,370)	(3,432)
Other expenses, net	(159)	(67)
Income tax expense (Note 8)	-	-
	(3,529)	(3,499)
Loss on disposal of operation	(6,193)	-
Loss for the year from discontinued operations	**(9,722)**	**(3,499)**

During the years ended 31 December 2008 and 2007 the results from discontinued operations were attributable to equity holders of the Parent.

The assets and liabilities comprising the discontinued operations were as follows:

	2008	2007
Total assets	16,603	30,126
Total liabilities	10,056	48,342

The net cash flows incurred by the Group in relation to Kyivska for the years ended 31 December 2008 and 2007 were as follows:

	2008	2007
Operating activities	(3,019)	(1,535)
Investing activities	(867)	(1,265)
Financing activities	3,893	2,453
Net increase/(decrease) in cash and cash equivalents	**7**	**(347)**

7. RELATED PARTY BALANCES AND TRANSACTIONS

For the purposes of these financial statements, parties are considered to be related if one party controls, is controlled by, or is under common control with the other party, or exercises significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Related parties may enter into transactions which unrelated parties might not, and transactions between related parties may not be effected on the same terms and conditions as transactions between unrelated parties.

The following companies and individuals are considered to be related parties to the Group:

Name of the related party	Nature of relations with the Group
Mr. Yuriy Kosyuk	Chief Executive Officer of MHP S.A. and the Principal Shareholder of the Group
WTI	Immediate parent, company owned by Mr. Yuriy Kosyuk
Mrs. Olena Kosyuk	Wife of Mr. Yuriy Kosyuk
Allied Tech LLP (United Kingdom)	Companies owned or controlled by Mr. Yuriy Kosyuk
Allied Tech LLC (USA)	
Allied Tech Commerce LLP (United Kingdom)	
LLC Zolotoniske Zvirogospodarstvo	
ULL 15 (FÜNFZEHN) Beteiligungs und Management	
Roda	
Realizatsiyna Baza	
Merkaba LLC	
Spector	Companies owned by Merkaba LLC
Agrofirma Berezanska Ptahofabryka	

In April 2007, Mr. Yuriy Kosyuk sold his shareholding in Roda. Accordingly, starting from June 2007 Roda and Realizatsiyna Baza ceased to be related parties to the Group.

In October 2008 Allied Tech LLC (USA) was liquidated.

Operating and financing activities

The Group enters into transactions with related parties in the ordinary course of business for the purchase and sale of goods and services and in relation to the provision of financing arrangements to and from entities under common control.

The revenues from sales to related parties for the years ended 31 December 2009, 2008 and 2007 were as follows:

	2009	2008	2007
Agrofirma Berezanska Ptahofabryka	6,856	9,630	8,430
Other related parties	81	573	122
Total	**6,937**	**10,203**	**8,552**

During the years ended 31 December 2009, 2008 and 2007, the Group's sales to Agrofirma Berezanska Ptahofabryka mainly consisted of sales of mixed fodder and its components.

Terms and conditions of sales to related parties are determined based on arrangements, specific to each contract of transaction. Management believes that the accounts receivable due from related parties do not require allowance for irrecoverable amounts and that the amounts payable to related parties will be settled at cost. The terms of the payables and receivables related to trading activities of the Group do not vary significantly from the terms of similar transactions with third parties.

The purchases from related parties for the years ended 31 December 2009, 2008 and 2007 were as follows:

	2009	**2008**	**2007**
Spector	107	1,474	11
Agrofirma Berezanska Ptahofabryka	5	418	358
Other related parties	-	-	-
Total	**112**	**1,892**	**369**

The balances of trade accounts receivable due from related parties (Note 17) were as follows as of 31 December 2009, 2008 and 2007:

	2009	**2008**	**2007**
Agrofirma Berezanska Ptahofabryka	2,725	2,316	1,235
Other related parties	451	475	80
Total	**3,176**	**2,791**	**1,315**

The balances of advances received from related parties were as follows (Note 25) as of 31 December 2009, 2008 and 2007:

	2009	**2008**	**2007**
Allied Tech LLC	-	120	116
Allied Tech LLP	200	218	213
Total	**200**	**338**	**329**

The balances of short-term advances, finance aid to and promissory notes from related parties (Note 15) as of 31 December 2009, 2008 and 2007 were as follows:

	2009	**2008**	**2007**
Merkaba LLC	606	190	193
Agrofirma Berezanska Ptahofabryka	351	670	408
Spector	48	16	656
Other related parties	56	100	166
Total	**1,061**	**976**	**1,423**

Other related party transactions

In June 2007, the Group sold to Mr. Yuriy Kosyuk a building with net book value of USD 3,460 thousand, which was used by the Principal Shareholder as a benefit in kind, for a cash consideration of USD 4,005 thousand. The difference between the sale price and net book value of the building at the date of transaction of USD 405 thousand (net of current income tax effect of USD 140 thousand) was recognized in the Group's consolidated financial statements as an adjustment to shareholders' equity.

In April 2007, the Group sold its participatory shareholding in ZZG to Mr. Yuriy Kosyuk for the cash consideration of USD 4,798 thousand (Note 2).

During the year ended 31 December 2007, the Group sold property, plant and equipment for USD 3,465 thousand to Agrofirma Berezanska Ptahofabryka.

As of 31 December 2009, 2008 and 2007, the Group leased property, plant and equipment with the carrying value of USD 116 thousand, USD 150 thousand and USD 3,092 thousand, respectively, to its related parties under operating lease arrangements (Note 8).

For the years ended 31 December 2009, 2008 and 2007, lease payments received from the related parties under the operating lease agreements amounted to USD 35 thousand, USD 53 thousand and USD 116 thousand, respectively.

Compensation to key management personnel

Total compensation of the Group's key management personnel (excluding compensation to Mr. Yuriy Kosyuk) included in selling, general and administrative expenses in the accompanying consolidated statements of comprehensive income amounted to USD 6,459 thousand, USD 9,281 thousand and USD 2,245 thousand for the years ended 31 December 2009, 2008 and 2007, respectively. Compensation to key management personnel consists of contractual salary and performance bonuses.

Key management personnel totaled 35, 32 and 29 individuals as of 31 December 2009, 2008 and 2007, respectively.

The aggregate amount of remuneration paid by the Group to the Chief Executive Officer Mr. Yuriy Kosyuk during the years ended 31 December 2009, 2008 and 2007 was USD 1,822 thousand, USD 1,804 thousand and USD 1,620 thousand, respectively, in the form of salary.

As of 31 December 2009, 2008 and 2007, Mr. and Mrs. Kosyuk received benefits in kind by use of certain assets with the carrying value of USD 287 thousand, USD 223 thousand and USD 3,014 thousand, respectively. Included in assets used by Mr. and Mrs. Kosyuk as of 31 December 2007 were vehicles with the carrying value of USD 2,807 thousand.

8. PROPERTY, PLANT AND EQUIPMENT, NET

The following table represents movements in property, plant and equipment for the year ended 31 December 2009:

	Buildings and structures	Grain storage facilities	Machinery and equipment	Utilities and infrastructure	Vehicles and agricultural machinery	Office furniture and equipment	Construction in progress	Total
Cost or valuation								
As of 1 January 2009	137,697	21,060	174,310	26,043	125,081	4,438	131,148	619,777
Additions	48,026	-	57,579	3,118	35,888	9,600	19,594	173,805
Disposals	(117)	-	(844)	(2)	(2,749)	(54)	(544)	(4,310)
Transfers	38,164	-	21,859	25,189	1,870	300	(87,382)	-
Increase from revaluation	-	10,739	-	-	-	-	-	10,739
Impairment loss	(941)	-	(153)	-	(210)	-	-	(1,304)
Translation difference	(5,473)	(870)	(8,053)	(1,591)	(5,310)	(387)	(3,085)	(24,769)
As of 31 December 2009	217,356	30,929	244,698	52,757	154,570	13,897	59,731	773,938
Accumulated depreciation								
As of 1 January 2009	19,250	445	41,377	6,488	32,728	1,925	-	102,213
Depreciation charge for the year	5,040	734	20,492	3,418	20,740	1,925	-	52,349
Eliminated on disposal	(40)	-	(285)	(2)	(1,966)	(45)	-	(2,338)
Eliminated on revaluation	-	(1,173)	-	-	-	-	-	(1,173)
Translation difference	(803)	(6)	(1,950)	(311)	(1,606)	(115)	-	(4,791)
As of 31 December 2009	23,447	-	59,634	9,593	49,896	3,690	-	146,260
Net book value								
31 December 2009	**193,909**	**30,929**	**185,064**	**43,164**	**104,674**	**10,207**	**59,731**	**627,678**
1 January 2009	**118,447**	**20,615**	**132,933**	**19,555**	**92,353**	**2,513**	**131,148**	**517,564**

The following table represents movements in property, plant and equipment for the year ended 31 December 2008:

	Buildings and structures	Grain storage facilities	Machinery and equipment	Utilities and infrastructure	Vehicles and agricultural machinery	Office furniture and equipment	Construction in progress	Total
Cost or valuation								
As of 1 January 2008	184,169	31,497	244,200	32,115	135,930	5,016	94,375	727,302
Additions	13,643	626	18,643	6,063	54,164	1,335	137,417	231,891
Disposals	(3,218)	(2)	(10,392)	(471)	(3,297)	(92)	-	(17,472)
Transfers	7,353	7	4,879	892	3,326	273	(16,730)	-
Disposal of Kyivska (Note 2)	(1,317)	(38)	(1,429)	(81)	(1,488)	(31)	(1,287)	(5,671)
Acquired through business combination (Note 2)	6,143	-	8,587	992	408	165	12,442	28,737
Impairment loss	(2,653)	-	-	-	-	-	(9,114)	(11,767)
Translation difference	(66,423)	(11,030)	(90,178)	(13,467)	(63,962)	(2,228)	(85,955)	(333,243)
As of 31 December 2008	137,697	21,060	174,310	26,043	125,081	4,438	131,148	619,777
Accumulated depreciation								
As of 1 January 2008	19,922	-	41,976	6,779	31,974	1,895	-	102,546
Depreciation charge for the year	10,011	686	22,798	3,052	19,937	1,108	-	57,592
Eliminated on disposal	(375)	-	(1,603)	(32)	(1,559)	(78)	-	(3,647)
Disposal of Kyivska (Note 2)	(410)	(25)	(659)	(25)	(820)	(23)	-	(1,962)
Translation difference	(9,898)	(216)	(21,135)	(3,286)	(16,804)	(977)	-	(52,316)
As of 31 December 2008	19,250	445	41,377	6,488	32,728	1,925	-	102,213
Net book value								
31 December 2008	**118,447**	**20,615**	**132,933**	**19,555**	**92,353**	**2,513**	**131,148**	**517,564**
1 January 2008	**164,247**	**31,497**	**202,224**	**25,336**	**103,956**	**3,121**	**94,375**	**624,756**

The following table represents movements in property, plant and equipment for the year ended 31 December 2007:

	Buildings and structures	Grain storage facilities	Machinery and equipment	Utilities and infrastructure	Vehicles and agricultural machinery	Office furniture and equipment	Construction in progress	Total
Cost or valuation								
As of 1 January 2007	98,447	14,129	133,011	16,507	95,029	2,568	189,543	549,234
Additions	20,454	1,651	50,863	3,435	41,586	1,756	74,159	193,904
Disposals	(4,564)	-	(6,901)	(119)	(959)	(77)	(210)	(12,830)
Transfers	77,852	1,465	74,320	12,681	882	834	(168,034)	-
Disposal of ZZG (Note 2)	(742)	-	(422)	(46)	(114)	(3)	(1,083)	(2,410)
Reclassifications	(2,912)	4,610	(1,698)	-	-	-	-	-
Increase due to revaluation	-	9,642	-	-	-	-	-	9,642
Impairment loss	(4,366)	-	(4,973)	(343)	(494)	(62)	-	(10,238)
As of 31 December 2007	184,169	31,497	244,200	32,115	135,930	5,016	94,375	727,302
Accumulated depreciation								
As of 1 January 2007	12,353	806	26,195	3,953	17,124	1,032	-	61,463
Depreciation charge for the year	8,375	558	17,563	2,885	15,776	925	-	46,082
Eliminated on disposal	(695)	-	(1,763)	(58)	(921)	(62)	-	(3,499)
Disposal of ZZG (Note 2)	(10)	-	(2)	(1)	(5)	-	-	(18)
Reclassifications	(101)	118	(17)	-	-	-	-	-
Eliminated from revaluation	-	(1,482)	-	-	-	-	-	(1,482)
As of 31 December 2007	19,922	-	41,976	6,779	31,974	1,895	-	102,546
Net book value								
31 December 2007	**164,247**	**31,497**	**202,224**	**25,336**	**103,956**	**3,121**	**94,375**	**624,756**
1 January 2007	**86,094**	**13,323**	**106,816**	**12,554**	**77,905**	**1,536**	**189,543**	**487,771**

As of 31 December 2009, included within property, plant and equipment were fully depreciated assets with the cost of USD 5,243 thousand (2008: USD 5,276 thousand; 2007: USD 5,123 thousand).

As of 31 December 2009, the Group's machinery and equipment with the carrying amount of USD 5,813 thousand (2008: USD 6,674 thousand, 2007: USD 11,274 thousand) were pledged as collateral to secure its banks borrowings (Note 21). As of 31 December 2009, vehicles and agricultural machinery with the carrying amount of USD 1,276 thousand (2008: USD 786 thousand, 2007: USD 2,121 thousand) were pledged to secure vendor-financing arrangements with foreign companies (Note 23).

As of 31 December 2009, 2008 and 2007 the net carrying amount of fixed assets held under finance lease agreements were USD 61,554 thousand, USD 57,476 thousand and USD 57,389 thousand, respectively.

Impairment assessment – The Group reviews its property, plant and equipment each period to determine if any indication of impairment exists. Based on these reviews, indicators of impairment were identified in 2009, 2008 and 2007 associated with the assets used in the production of goose meat and foie gras, assets used in production of convenience foods under the "Legko!" brand, and construction in progress represented by administrative office premises. As a result, the Group estimated the recoverable amount of these assets and determined that the carrying value exceeded the recoverable amount. Accordingly, during the year ended 31 December 2009 the Group has recognized impairment losses of USD 1,304 thousand (2008: USD 11,767 thousand, 2007: USD 10,238 thousand) for the difference in these amounts.

The additional impairment losses recognized in respect to assets used in goose meat and foie gras production during the year ended 31 December 2009 are attributable to reassessment of expected returns to this production line. In 2008 and 2007, the impairment losses recognized were in respect to assets used in the production of goose meat and foie gras and convenience foods under the "Legko!" brand, as well as to administrative office premises. These impairments were due to increased business risks and lower expected returns to the production lines, as well as decreased market prices for commercial properties as compared to the analysis performed during the year ended 31 December 2007.

The amount of impairment losses recognized during the period, together with information on the discount rates used in the estimation of the recoverable amount of impaired assets is as follows:

	2009		**2008**		**2007**	
Production line	**Discount rate used, %**	**Loss on impairment**	**Discount rate used, %**	**Loss on impairment**	**Discount rate used, %**	**Loss on impairment**
Convenience foods	23.1	-	25.5	-	19.6	5,683
Goose meat and foie gras	31.1	1,304	33.5	2,653	22.0	4,555
Administrative office premises	14.4	-	15.25	9,114	N/A	-
Total		**1, 304**		**11,767**		**10,238**

Assets used in convenience foods production and production of goose meat and foie gras belong to poultry and related operations and other agricultural segments, respectively. Administrative office premises are not allocated to reportable segments.

The discount rates used in assessment of the recoverable amounts of impaired assets vary depending on the currency denomination of future cash flows and different levels of business risks assessed for each group of assets.

Revaluation of grain storage facilities – During the years ended 31 December 2009 and 2007, the Group engaged independent appraisers to revalue its grain storage facilities. The effective dates of revaluations were 1 December 2009 and 2007, respectively. The valuations, which conformed to the International Valuation Standards, were determined by reference to observable prices in an active market and recent market transactions. During revaluation as of 1 December 2007, the Group identified certain assets which related to the grain storage facilities, but were included into different groups. The related cost and accumulated depreciation of such assets in the amount of USD 4,610 thousand and USD 118 thousand, respectively, were transferred to the grain storage facilities group during the year ended 31 December 2007.

Due to economic instability, lack of transactions with similar assets in the market and, accordingly, a high degree of uncertainty surrounding the determination of fair values, no revaluation of grain storage facilities was performed as of 31 December 2008.

If the grain storage facilities were carried at cost, their net book value as of 31 December 2009 would be USD 12,549 thousand (2008: USD 13,321 thousand , 2007: USD 19,809 thousand).

Leased assets – As of 31 December 2009, 2008 and 2007, the Group leased property, plant and equipment (primarily, vehicles and agricultural machinery) with the carrying value of USD 116 thousand, USD 150 thousand and USD 3,092 thousand, respectively, to its related parties under operating lease arrangements (Note 7).

9. TAXATION

The majority of the Group companies that are involved in agricultural production pay the Fixed Agricultural Tax (the "FAT") in accordance with the Law "On Fixed Agricultural Tax".
The FAT substitutes the following taxes for agricultural producers: Corporate Income Tax, Land Tax, Municipal Tax, Natural Resources Usage Duty, Geological Survey Duty, and Trade Patent. The FAT is calculated by local authorities and depends on the area and valuation of land occupied. This tax regime is valid indefinitely.

During the years ended 31 December 2009, 2008 and 2007, the Group companies which have the status of the Corporate Income Tax (the "CIT") payers in Ukraine were subject to income tax at 25% rate. The net results of the Group companies incorporated in jurisdictions other than Ukraine were insignificant during the years ended 31 December 2009, 2008 and 2007.

The components of income tax (benefit)/expense were as follows for the years ended 31 December 2009, 2008 and 2007:

	2009	2008	2007
Current income tax expense	933	1,739	1,132
Deferred tax benefit	(7,421)	(460)	(738)
Income tax (benefit)/expense	(6,488)	1,279	394
Attributable to:			
Continuing operations	(6,488)	1,279	428
Discontinued operations (Note 6)	-	-	(34)
	(6,488)	**1,279**	**394**

Reconciliation between profit before tax multiplied by the statutory tax rate and the tax expense for the years ended 31 December 2009, 2008 and 2007 was follows:

	2009	2008	2007
Profit before tax from continuing operations	153,515	16,194	50,822
Loss before tax from discontinued operations (Note 6)	-	(9,722)	(3,635)
Profit before income tax	153,515	6,472	47,187
Income tax expense at the tax rate of 25%	38,379	1,618	11,797
Tax effect of:			
Income generated by FAT payers (exempt from income tax)	(58,770)	(44,987)	(24,475)
Non-deductible expenses	10,419	12,286	5,952
Expenses not deducted for tax purposes	3,484	32,362	7,120
Income tax (benefit)/expense	**(6,488)**	**1,279**	**394**

As of 31 December 2009, 2008 and 2007 the Group did not recognize deferred tax assets arising from temporary differences of USD 13,936 thousand, USD 129,448 thousand and USD 28,480 thousand, respectively, as the Group does not intend to deduct respective expenses for tax purposes in future periods.

Deferred tax liabilities have not been recognized in respect of unremitted earnings of Ukrainian subsidiaries as the earnings can be remitted free from taxation currently and in future years.

As of 31 December 2009, 2008 and 2007, deferred tax assets and liabilities comprised the following:

	2009	2008	2007
Deferred tax assets arising from:			
Advances received and other payables	5,736	2,099	2,209
Other current liabilities	5,168	1,030	310
Inventories	897	473	-
Expenses deferred in tax books	6,795	4,994	3,647
Other	-	-	64
Total deferred tax assets	**18,596**	**8,596**	**6,230**
Deferred tax liabilities arising from:			
Property, plant and equipment	(13,999)	(12,312)	(9,339)
Prepayments to suppliers	(3,384)	(241)	-
Inventories	-	(156)	(692)
Total deferred tax liabilities	**(17,383)**	**(12,709)**	**(10,031)**
Net deferred tax asset/(liability)	**1,213**	**(4,113)**	**(3,801)**

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The following amounts, determined after appropriate offsetting, are presented in the consolidated balance sheet as of 31 December 2009, 2008 and 2007:

	2009	2008	2007
Deferred tax assets	10,183	2,047	2,705
Deferred tax liabilities	(8,970)	(6,160)	(6,506)
	1,213	**(4,113)**	**(3,801)**

The movements in net deferred tax assets/(liabilities) for the years ended 31 December 2009, 2008 and 2007 were as follows:

	2009	2008	2007
Net deferred tax liabilities as of beginning of the year	(4,113)	(3,801)	(2,289)
Deferred tax benefit	7,421	460	738
Deferred tax on property, plant and equipment charged directly to revaluation reserve	(2,541)	-	(2,250)
Deferred tax liabilities arising on acquisition of subsidiaries (Note 2)	-	(2,630)	-
Translation difference	446	1,858	-
Net deferred tax assets/(liabilities) as of end of the year	**1,213**	**(4,113)**	**(3,801)**

10. LONG-TERM VAT RECOVERABLE, NET

As of 31 December 2009, 2008 and 2007 the balance of long-term VAT recoverable was accumulated on continuing capital expenditures and increased investments in working capital. The management expects that these balances will not be recovered within the twelve months after the balance sheet date.

As of 31 December 2009, an allowance for estimated irrecoverable amount of USD 4,537 thousand was recorded by the Group for the balance of long-term VAT recoverable (2008: USD 1,437 thousand).

11. BIOLOGICAL ASSETS

The balances of non-current biological assets were as follows as of 31 December 2009, 2008 and 2007:

	2009		2008		2007	
	Thousand units	**Carrying amount**	**Thousand units**	**Carrying amount**	**Thousand units**	**Carrying amount**
Milk cows, boars, sows, units	11.5	9,560	10.2	6,033	12.7	8,305
Orchards, hectare	2.4	23,478	2.11	19,934	2.11	27,100
Other non-current bearer biological assets		530		526		200
Total bearer non-current biological assets		33,568		26,493		35,605
Non-current cattle and pigs, units	6.6	2,667	8.6	2,987	10.7	6,491
Total consumable non-current biological assets		2,667		2,987		6,491
Total non-current biological assets		**36,235**		**29,480**		**42,096**

The balances of current biological assets were as follows as of 31 December 2009, 2008 and 2007:

	2009		2008		2007	
	Thousand units	**Carrying amount**	**Thousand units**	**Carrying amount**	**Thousand units**	**Carrying amount**
Breeders held for hatchery eggs production, units	1,886	35,845	1,420	19,323	1,481	23,710
Total bearer current biological assets		35,845		19,323		23,710
Broiler poultry, units	24,258	36,957	14,297	23,126	12,830	22,798
Hatchery eggs, units	19,334	6,310	12,690	3,866	12,841	5,786
Crops in fields, hectare	58	26,260	70	26,840	59	26,229
Cattle and pigs, units	44	6,714	43	10,386	48	10,538
Other current consumable biological assets		892		554		1,724
Total consumable current biological assets		77,133		64,772		67,075
Total current biological assets		**112,978**		**84,095**		**90,785**

Other current consumable biological assets include geese and other livestock.

The following table represents the changes in the carrying amounts of major biological assets during the years ended 31 December 2009, 2008 and 2007:

	Crops in fields	Orchards	Breeders held for hatchery eggs production	Broiler poultry	Milk cows, boars, sows	Non-current cattle and pigs	Cattle, pigs
As of 1 January 2007	**10,980**	**11,840**	**12,501**	**18,270**	**4,753**	**9,872**	**4,245**
Increase due to purchases	5,392	6,274	4,801	432	430	45	4,518
Gains/(losses) arising from change in fair value of biological assets less estimated point-of-sale costs	77,538	15,615	64,818	196,943	1,860	(3,530)	31,195
Transfer to consumable biological assets	-	-	(54,422)	54,422	(713)	(120)	833
Transfer to bearing non-current biological assets	-	-	-	-	2,341	562	(2,903)
Decrease due to harvest	(67,681)	(6,629)	(3,988)	(247,269)	(366)	(338)	(27,350)
As of 31 December 2007	**26,229**	**27,100**	**23,710**	**22,798**	**8,305**	**6,491**	**10,538**
Increase due to purchases	7,431	185	5,238	26	655	23	5,642
Gains arising from change in fair value of biological assets less estimated point-of-sale costs	92,705	15,239	80,106	353,078	41	1,240	36,091
Transfer to consumable biological assets	-	-	(72,914)	72,914	(953)	(63)	1,016
Transfer to bearing non-current biological assets	-	-	-	-	4,475	859	(5,334)
Decrease due to harvest	(93,553)	(13,335)	(6,917)	(414,073)	(3,361)	(3,916)	(32,336)
Translation difference	(5,972)	(9,255)	(9,900)	(11,617)	(3,129)	(1,647)	(5,231)
As of 31 December 2008	**26,840**	**19,934**	**19,323**	**23,126**	**6,033**	**2,987**	**10,386**
Increase due to purchases	7,323	1,434	6,635	14,720	265	672	1,710
Gains/(losses) arising from change in fair value of biological assets less estimated point-of-sale costs	118,257	8,578	66,934	216,613	3,127	(106)	19,801
Transfer to consumable biological assets	-	-	(50,617)	50,615	(825)	(59)	884
Transfer to bearing non-current biological assets	-	-	-	-	2,167	816	(2,983)
Decrease due to harvest	(125,193)	(5,631)	(5,313)	(266,928)	(899)	(1,542)	(22,796)
Translation difference	(967)	(837)	(1,117)	(1,189)	(308)	(101)	(288)
As of 31 December 2009	**26,260**	**23,478**	**35,845**	**36,957**	**9,560**	**2,667**	**6,714**

12. OTHER NON-CURRENT ASSETS

The balances of other non-current assets were as follows as of 31 December 2009, 2008 and 2007:

	2009	2008	2007
Packaging and containers	5,592	3,458	4,227
Land lease rights	854	572	872
Long-term loans to employees and related parties	708	95	265
Other investments	273	283	578
Other non-current assets	2,144	2,050	2,071
Total	**9,571**	**6,458**	**8,013**

Long-term loans to employees and related parties are interest free and measured at amortized cost using the effective interest rate method.

13. INVENTORIES

The balances of inventories were as follows as of 31 December 2009, 2008 and 2007:

	2009	2008	2007
Components for mixed fodder production	70,568	21,748	20,793
Other raw materials	9,099	6,998	7,557
Spare parts	3,558	2,780	4,500
Packaging materials	3,283	3,437	3,185
Mixed fodder	2,156	1,590	2,785
Sunflower oil	2,020	510	793
Other inventories	1,576	1,055	3,032
Total	**92,260**	**38,118**	**42,645**

14. AGRICULTURAL PRODUCE

The balances of agricultural produce were as follows as of 31 December 2009, 2008 and 2007:

	2009		2008		2007	
	Thousand tons	Carrying amount	Thousand tons	Carrying amount	Thousand tons	Carrying amount
Chicken meat	5.531	7,405	4.887	7,881	5.807	9,333
Other meat	N/A	3,167	N/A	3,394	N/A	1,460
Grain	396	48,641	306	24,695	67	12,394
Fruits, vegetables and other crops	N/A	7,014	N/A	6,795	N/A	8,493
Total agricultural produce		**66,227**		**42,765**		**31,680**

15. OTHER CURRENT ASSETS, NET

The balances of other current assets were as follows as of 31 December 2009, 2008 and 2007:

	2009	2008	2007
Prepayments to suppliers and prepaid expenses	10,585	7,867	8,707
Short-term advances, finance aid to and promissory notes from related parties (Note 7)	1,061	976	1,423
Loans to employees	941	1,391	1,467
Government grants receivable (Note 26)	29	3,397	4,192
Other receivables	3,418	2,346	2,235
Less: allowance for irrecoverable amounts	(737)	(607)	(1,703)
Total	**15,297**	**15,370**	**16,321**

As of 31 December 2009, 2008 and 2007, government grants receivable were mainly represented by amounts due from the state for poultry and cattle processed during the last months of 2009, 2008 and 2007, respectively.

16. TAXES RECOVERABLE AND PREPAID, NET

Taxes recoverable and prepaid were as follows as of 31 December 2009, 2008 and 2007:

	2009	2008	2007
VAT recoverable	69,890	49,736	47,726
Miscellaneous taxes prepaid	1,889	777	540
Less: allowance for irrecoverable VAT	(4,821)	(4,175)	(2,866)
Total	**66,958**	**46,338**	**45,400**

17. TRADE ACCOUNTS RECEIVABLE, NET

The balances of trade accounts receivable were as follows as of 31 December 2009, 2008 and 2007:

	2009	2008	2007
Agricultural operations	37,481	26,663	19,941
Sunflower oil sales	3,432	2,957	180
Due from related parties (Note 7)	3,176	2,791	1,315
Less: allowance for irrecoverable amounts	(712)	(880)	(1,073)
Total	**43,377**	**31,531**	**20,363**

Allowance for irrecoverable amounts is estimated at the level of 25% for trade accounts receivable on sales of poultry meat which are aged over 30 days (for trade accounts receivable on other sales – over 60 days). Trade accounts receivable on sales of poultry meat which are aged over 270 days and trade accounts receivable on other sales which are aged over 360 days are provided in full.

The Group also performs specific analysis of trade accounts receivable due from individual customers to determine whether any further adjustments are required to the allowance for irrecoverable amounts assessed on the percentages disclosed above. Based on results of such review as of 31 December 2009 the Group determined that trade accounts receivable on sales of poultry meat of USD 364 thousand were overdue (aged over 30 days) but do not require allowance for irrecoverable amounts.

The aging of trade accounts receivable that were impaired as of 31 December 2009, 2008 and 2007 was as follows:

	Trade accounts receivable			Allowance for irrecoverable amounts		
	2009	**2008**	**2007**	**2009**	**2008**	**2007**
Trade accounts receivable on sales of poultry meat:						
Over 30 but less than 270 days	546	280	21	(137)	(70)	(5)
Over 270 days	139	561	417	(139)	(561)	(417)
Total trade accounts receivable on sales of poultry meat	685	841	438	(276)	(631)	(422)
Trade accounts receivable on other sales:						
Over 60 but less than 360 days	397	268	418	(99)	(67)	(262)
Over 360 days	337	182	389	(337)	(182)	(389)
Total trade accounts receivable on other sales	734	450	807	(436)	(249)	(651)
Total	**1,419**	**1,291**	**1,245**	**(712)**	**(880)**	**(1,073)**

18. SHORT-TERM BANK DEPOSITS

Short-term bank deposits were as follows as of 31 December 2009, 2008 and 2007:

Currency	**Effective rate**	**2009**	**Effective rate**	**2008**	**Effective rate**	**2007**
UAH	16.14%	7,632	16.69%	1,248	9.77%	10,055
USD	-	-	10.98%	24,094	-	-
Total		**7,632**		**25,342**		**10,055**

As of 31 December 2009, the balances of short-term deposits with UniCreditBank for the total amount of USD 7,619 thousand represented security for bank guarantees issued against the Group’s liabilities under grain financing arrangements (Note 24, 25).

19. CASH AND CASH EQUIVALENTS

The balances of cash and cash equivalents were as follows as of 31 December 2009, 2008 and 2007:

	2009	2008	2007
Cash in hand and with banks	22,248	18,975	10,088
Short-term deposits with banks	-	35,097	-
Total	**22,248**	**54,072**	**10,088**

The balances of term deposits included in cash equivalents were as follows as of 31 December 2008:

Currency	Effective rate	2008
USD	11.71%	32,500
UAH	18.00%	2,597
		35,097

20. SHARE CAPITAL

As of 31 December the authorized, issued and fully paid share capital of MHP S.A. comprised of the following number of shares:

	2009	2008	2007
Number of shares authorized for issue	170,000,000	170,000,000	170,000,000
Number of shares issued and fully paid	110,770,000	110,770,000	100,020,000

The authorized share capital as of 31 December 2009, 2008 and 2007 was EUR 340,000 thousand represented by 170,000,000 shares with par value of EUR 2 each.

As of 31 December 2007 the issued share capital of MHP S.A. was EUR 200,040 thousand (USD 251,311 thousand) and consisted of 100,020,000 ordinary shares. The share capital contributions as of 31 December 2007 were fully paid in cash for USD 50 thousand and by exchange of 100% shareholding in RHL. The fair value of the exchange was USD 251,261 thousand, determined by an independent appraiser as of the date of the contribution.

On 15 May 2008 MHP S.A. issued 10,750,000 new ordinary shares. After the issue MHP S.A.'s issued share capital consists of 110,770,000 ordinary shares at par value EUR 2 each.
The offering was completed at USD 15 per share. The increase in MHP S.A. share capital amounted to USD 33,194 thousand at the transaction date. Share premium on issue constituted USD 128,056 thousand at the transaction date. The net expenses related to the issue amounted to USD 9,300 thousand. Net proceeds, after deducting expenses, of the offering amounted to USD 151,950 thousand.

All shares have equal voting rights and rights to receive dividends, which are payable at the discretion of the Group.

21. BANK BORROWINGS

The following table summarizes bank loans and credit lines outstanding as of 31 December 2009, 2008 and 2007:

Bank	Currency	Weighted average interest rate	2009	Weighted average interest rate	2008	Weighted average interest rate	2007
Foreign banks	EUR	3.24%	81,873	5.43%	78,697	4.77%	86,597
Ukrainian banks	USD	8.86%	94,000	6.78%	109,000	8.71%	10,799
Ukrainian banks	UAH	23.82%	19,960		-	12.51%	42,337
			113,960		109,000		53,136
Total bank borrowings			**195,833**		**187,697**		**139,733**
Less: Short-term bank borrowings and current portion of long-term bank borrowings			(139,790)		(130,241)		(73,855)
Total long-term bank borrowings			**56,043**		**57,456**		**65,878**

The Group's borrowings are drawn from various banks as term loans, credit line facilities and overdrafts. Repayment terms of principal amounts of bank borrowings vary from monthly repayment to repayment on maturity depending on the agreement reached with each bank. The interest on the borrowings drawn with Ukrainian banks is payable on a monthly or quarterly basis. Interest on borrowings drawn with foreign banks is payable semi-annually.

Term loans and credit line facilities were as follows as of 31 December 2009, 2008 and 2007:

	2009	2008	2007
Credit lines	129,103	132,560	84,973
Term loans	66,730	55,137	54,760
Total bank borrowings	**195,833**	**187,697**	**139,733**

The following table summarizes fixed and floating interest rates bank loans and credit lines held by the Group as of 31 December 2009, 2008 and 2007:

	2009	2008	2007
Floating interest rate	148,447	147,941	102,348
Fixed interest rate	47,386	39,756	37,385
Total	**195,833**	**187,697**	**139,733**

Bank loans and credit lines outstanding as of 31 December 2009 were repayable as follows:

	2009		
	Foreign	Ukrainian	Total
Within one year	25,830	113,960	139,790
In the second year	25,090	-	25,090
In the third to fifth year inclusive	23,958	-	23,958
After five years	6,995	-	6,995
Total	**81,873**	**113,960**	**195,833**

As of 31 December 2009, the Group had available undrawn facilities of USD 6,413 thousand. These undrawn facilities expire during the period from January 2010 until October 2010.

The Group as well as particular subsidiaries has to comply with certain covenants imposed by the banks providing the loans. The main covenants which are to be complied by the Group are as follows: total debt to equity ratio, total debt to EBITDA ratio and total equity to total assets ratio. The Group subsidiaries should also obtain approval with lenders regarding the property to be used as collateral.

As of 31 December 2009, the Group had borrowings of USD 9,980 thousand that were secured. These borrowings were secured by property, plant and equipment with the carrying amount of USD 5,813 thousand (Note 8).

22. BONDS ISSUED

Bonds issued and outstanding as of 31 December 2009, 2008 and 2007 were as follows:

	2009	2008	2007
10.25% Senior Notes due in 2011	250,000	250,000	250,000
14% Druzhba Nova Bonds due in 2008	-	-	39,604
Unamortized premium on bonds issued	-	-	116
Unamortized debt issue cost	(1,954)	(3,097)	(6,512)
Total	**248,046**	**246,903**	**283,208**
Less: Current portion of bonds issued	-	-	(39,604)
Total long-term portion of bonds issued	**248,046**	**246,903**	**243,604**

10.25% Senior Notes

In November 2006, MHP S.A. issued USD 250 million 10.25% Senior Notes ("Senior Notes"), due in November 2011, at par. The notes are listed on London Stock Exchange. The Senior Notes are jointly and severally guaranteed on a senior basis by MHP, Peremoga, Druzhba Nova, Oril, MZVKK, Zernoproduct and Druzhba. Interest on the Senior Notes is payable semi-annually in arrears. Up to 30 November 2009, the Group had the right to redeem up to 35% of the aggregate principal amount of the Senior Notes with the net proceeds of any offering of MHP S.A. common equity at a redemption price of 110.25% of the principal amount, plus accrued and unpaid interest up to the redemption date. This option was not exercised by the Group.

These Senior Notes are subject to certain restrictive covenants including, but not limited to, limitations on the incurrence of additional indebtedness, restrictions on mergers or consolidations, limitations on liens and dispositions of assets and limitations on transactions with affiliates.
The effective interest rate on the Senior Notes is 11.43% per annum.

If the Group fails to comply with the covenants imposed, all outstanding Senior Notes will become due and payable without further action or notice. If change of control occurs the Group shall make an offer to each holder of the Senior Notes to purchase such Senior Notes at a purchase price in cash in an amount equal to 101% of the principal amount thereof, plus accrued and unpaid interest and additional amounts, if any.

As of 31 December 2009, the fair value of the Senior Notes issued by the Group was equal to USD 228,875 thousand (2008: USD 120,875 thousand; 2007: USD 252,500 thousand).

14% Druzhba Nova Bonds

In September 2006, Druzhba Nova issued 200,000 of 14% coupon bonds with nominal value of USD 39,604 thousand at a premium of USD 360 thousand, due in August 2008. Interest on the bonds was payable quarterly in arrears. The bonds were not subject to any restrictive covenants. The effective interest rate on the bonds was 14.31% per annum. As of 31 December 2007, the fair value of Druzhba Nova bonds was equal to USD 40,966 thousand. The bonds were fully repaid during the year ended 31 December 2008.

The fair value of the notes and bonds was determined based on market quotations.

23. LONG-TERM FINANCE LEASE AND VENDOR FINANCING OBLIGATIONS

Long-term finance lease and vendor financing obligations as of 31 December 2009, 2008 and 2007 were as follows:

	2009	**2008**	**2007**
Finance lease obligations, long-term portion	44,546	47,972	30,018
Long-term payables for property, plant and equipment under vendor financing arrangements	-	-	520
Total	**44,546**	**47,972**	**30,538**

The long-term finance lease obligations represent amounts due under agreements for lease of trucks, agricultural machinery and equipment with Ukrainian and foreign companies.
As of 31 December 2009, the weighted average interest rates on finance lease obligations were 8.61% and 7.81% for finance lease obligations denominated in EUR and USD, respectively.

As of 31 December 2009, 2008 and 2007, the current portion of long-term payables for property, plant and equipment was included in current accounts payable for property, plant and equipment as follows:

	2009	2008	2007
Long-term payables for property, plant and equipment	-	-	1,534
Short-term payables for property, plant and equipment	6,340	8,116	8,612
Less:			
Long-term portion of payables for property, plant and equipment	-	-	(520)
Total	**6,340**	**8,116**	**9,626**

The long-term payables for property, plant and equipment mainly represent vendor financing arrangements with foreign and Ukrainian companies. As of 31 December 2007, the weighted average interest rates on such payables were 11.0% and 9.9% for payables denominated in EUR and UAH, respectively.

As of 31 December 2009, the Group's property, plant and equipment with net book value of USD 1,276 thousand (2008: USD 786 thousand, 2007: USD 2,121 thousand) were pledged as collateral under vendor financing arrangements with foreign companies (Note 8).

The following are the minimum lease payments and present value of minimum lease payments under the finance lease agreements as of 31 December 2009, 2008 and 2007:

	Minimum lease payments			**Present value of minimum lease payments**		
	2009	**2008**	**2007**	**2009**	**2008**	**2007**
Payable within one year	31,094	28,928	18,266	24,458	21,625	13,903
Payable in the second year	25,535	24,697	14,931	21,309	19,632	11,685
Payable in the third to fifth year inclusive	26,187	32,408	21,810	23,237	27,776	18,333
Payable after fifth year	-	684	-	-	564	-
	82,816	**86,717**	**55,007**	**69,004**	**69,597**	**43,921**
Less:						
Future finance charges	(13,812)	(17,120)	(11,086)	-	-	-
Present value of lease obligations	**69,004**	**69,597**	**43,921**	**69,004**	**69,597**	**43,921**
Less:						
Current portion				(24,458)	(21,625)	(13,903)
Finance lease obligations, long-term portion				**44,546**	**47,972**	**30,018**

24. TRADE ACCOUNTS PAYABLE

Trade accounts payable were as follows as of 31 December 2009, 2008 and 2007:

	2009	2008	2007
Trade accounts payable to third parties	72,361	22,145	25,077
Payables due to related parties	19	25	39
Total	**72,380**	**22,170**	**25,116**

As of 31 December 2009 trade accounts payable included liabilities that bear a floating rate of interest under grain purchase financing arrangements in the amount of USD 51,970 thousand and accrued interest of USD 1,932 thousand (2008: liabilities of USD 6,205 thousand and accrued interest of USD 136 thousand).

25. OTHER CURRENT LIABILITIES

Other current liabilities were as follows as of 31 December 2009, 2008 and 2007:

	2009	2008	2007
Accrued payroll and payroll related taxes	25,268	15,151	11,940
Advances from and other payables due to third parties	3,629	2,470	4,362
Advances from related parties (Note 7)	200	338	329
Payables on other financing arrangements	6,370	12,484	-
Other payables	3,621	2,549	1,454
Total	**39,088**	**32,992**	**18,085**

As of 31 December 2009 payables on other financing arrangements represented short-term credit facility received from a grain supplier at LIBOR+3.27%. As of 31 December 2008 payables on other financing arrangements represented credit facility received at a fixed rate of 8.75% with maturity on 30 June 2009.

26. GOVERNMENT GRANTS INCOME

The Ukrainian legislation provides for a number of different grants and tax benefits for companies involved in agricultural operations. The below-mentioned grants and similar privileges are established by Verkhovna Rada (the Parliament) of Ukraine, as well as by the Ministry of Agrarian Policy of Ukraine, the Ministry of Finance of Ukraine, the State Committee of Water Industry, the customs authorities and local district administrations.

The government grants recognized by the Group as income during the years ended 31 December 2009, 2008 and 2007 were as follows:

	2009	2008	2007
VAT refunds	65,606	59,338	21,365
Fruits and vine cultivation	1,145	468	2,417
Processing of live animals	780	46,146	29,641
Selection and genetic programs in breeding	12	293	1,198
Other government grants	269	1,418	1,668
Total	**67,812**	**107,663**	**56,289**

VAT refunds for agricultural industry – According to the Law of Ukraine "On the Value Added Tax", companies that generated not less than 50% of gross revenues for the previous tax year from sales of own agricultural products are entitled to refunds of VAT on sales of agricultural products. The VAT on sales, net of VAT paid on purchases, is transferred to a special account, restricted to payments for goods and services related to agricultural activities. The corresponding VAT liability to be refunded at each balance sheet date is recorded in the Group's consolidated financial statements as deferred income, as the income recognition criteria is considered to be met only when payments are made. As of 31 December 2008, the balance of deferred income related to VAT refunds was USD 789 thousand (2007: USD 304 thousand).

Government grants on fruits and vine cultivation – In accordance with the Law "On State Budget of Ukraine" two companies of the Group were entitled to receive grants for the years ended 31 December 2009, 2008 and 2007 for creation and cultivating of orchards, vines and berry-fields.

Government grants on processing of live animals – During the years ended 31 December 2008 and 2007, the Law "On State Budget of Ukraine" established subsidies for companies engaged in processing of live animals (chicken and other poultry, cows and pigs). This subsidy was provided to the Group's chicken farms in the form of payment for each item of poultry slaughtered at the farms. This subsidy was also available to the Group's beef and pork processing facilities. Starting from 1 January 2009, the Group did not receive these subsidies due to the government suspended this type of subsidies.

Government grants related to selection and genetics programs in breeding – Two of the Group companies received grants from the state budget for the purpose of financing selection and genetics programs in poultry breeding. This subsidy is provided to the Group's breeding farms in the form of compensation of expenses in connection with selection and genetics poultry breeding. The eligibility, application and tender procedures related to the grants are carried out by the Ministry of Agrarian Policy of Ukraine and Ukrainian Agricultural Academy of Sciences.

Other government grants – Other government grants recognized as income during the years ended 31 December 2009, 2008 and 2007 mainly comprised of subsidies related to crop growing.

In addition to the government grant income recognized by the Group, the Group receives a grant to compensate agricultural producers for costs used to finance the operations. Agricultural producers are entitled to compensation of finance costs incurred on bank borrowings in accordance with the Law "On State Budget of Ukraine" during the years ended 31 December 2009, 2008 and 2007. The eligibility, application and tender procedures related to the grants were defined and controlled by the Ministry of Agrarian Policy of Ukraine.

These grants were recognized as a reduction in the associated finance costs and during the years ended 31 December 2009, 2008 and 2007 were USD 900 thousand, USD 2,406 thousand and USD 2,141 thousand, respectively (Note 33).

27. CONTINGENCIES AND CONTRACTUAL COMMITMENTS

Ongoing global financial crisis – The financial markets, both globally and in Ukraine, have faced significant volatility and liquidity constraints since the onset of the global financial crisis, which began to unfold in the autumn of 2007 and worsened since August 2008. A side effect of those events was an increased concern about the stability of the financial markets generally and the strength of counterparties, and many lenders and institutional investors have reduced funding to borrowers, which has significantly reduced the liquidity in the global financial system.

While due to the nature of the Group's business the Group's revenues and margins were not affected by these factors, the Group's financial results were impacted by the significant depreciation of Ukrainian currency during the year ended 31 December 2008. The Ukrainian currency remained relatively stable in 2009; however, any further weakening of the exchange rate may adversely impact the Group's financial results in future periods.

Operating environment − The principal business activities of the Group are within Ukraine. Laws and regulations affecting businesses operating in Ukraine are subject to rapid changes and the Group's assets and operations could be at risk if there are any adverse changes in the political and business environment.

Taxation − Ukrainian tax authorities are increasingly directing their attention to the business community as a result of the overall Ukrainian economic environment. In respect of this, the local and national tax environment in Ukraine is constantly changing and subject to inconsistent application, interpretation and enforcement. Non-compliance with Ukrainian laws and regulations can lead to the imposition of severe penalties and interest. Future tax examinations could raise issues or assessments which are contrary to the Group companies' tax filings. Such assessments could include taxes, penalties and interest, and these amounts could be material. While the Group believes it has complied with local tax legislation, there have been many new tax and foreign currency laws and related regulations introduced in recent years which are not always clearly written.

Legal issues − The Group is involved in litigations and other claims that are in the ordinary course of its business activities. Management believes that the resolution of such matters will not have a material impact on its financial position or operating results.

Contractual commitments on purchase of property, plant and equipment − During the years ended 31 December 2009, 2008 and 2007, the companies of the Group entered into a number of contracts with foreign suppliers for the purchase of property plant and equipment for development of agricultural operations. As of 31 December 2009, purchase commitments on such contracts amounted to USD 2,307 thousand (2008: USD 20,927 thousand; 2007: USD 3,851 thousand).

Commitments on operating lease of land − The Group has the following non-cancelable contractual obligations as to the operating lease of land as of 31 December 2009, 2008 and 2007:

	2009	2008	2007
Within one year	6,886	5,264	5,868
In the second to the fifth year inclusive	23,868	19,218	21,749
Thereafter	38,256	38,193	46,359
Total	**69,010**	**62,675**	**73,976**

28. RISK MANAGEMENT POLICIES

Capital risk management − The Group manages its capital to ensure that entities of the Group will be able to continue as a going concern while maximising the return to the equity holders through maintaining a balance between the higher returns that might be possible with higher levels of borrowings and the security afforded by a sound capital position. The management of the Group reviews the capital structure on a regular basis. Based on the results of this review, the Group takes steps to balance its overall capital structure through new share issues and as the issue of new debt or the redemption of existing debt.

The Group's target was to achieve the leverage ratio of not higher than 3.25 up to 31 December 2007, 3.0 up to 31 December 2008, and 2.5 thereafter. The Group determines its leverage ratio as the proportion of debt to adjusted operating profit. As of 31 December 2009, 2008 and 2007 the leverage ratio was as follows:

	2009	2008	2007
Bank borrowings (Note 21)	195,833	187,697	139,733
Bonds issued (Note 22)	248,046	246,903	283,208
Finance lease and vendor financing obligations (Note 23)	69,004	69,597	44,441
Payables on other financing arrangements (Note 25)	6,370	12,484	-
	519,253	516,681	467,382
Operating profit	217,980	243,506	112,143
Adjustments for:			
Depreciation expense (Note 30, 31)	51,677	56,938	44,207
Loss on impairment of property, plant and equipment (Note 8)	1,304	11,767	10,238
Gain from change in accounting estimates in respect of valuation of biological assets	-	-	(150)
Adjusted operating profit	270,961	312,211	166,438
Debt to adjusted operating profit	1.92	1.65	2.81

Debt is defined as bank borrowings, bonds issued, finance lease obligations, and payables on other financing arrangements. For the purposes of the leverage ratio, debt does not include interest-bearing liabilities, which are included in trade accounts payable (Note 24). Adjusted operating profit is defined as operating profit adjusted for the depreciation expense and losses and gains believed by the management to be non-recurring in nature, as this measure produces results substantially comparable to those reviewed for the purposes of financial covenants under the Group's borrowings.

Major categories of financial instruments

	2009	2008	2007
Financial assets:			
Cash and cash equivalents	22,248	54,072	10,088
Trade accounts receivable, net	43,377	31,531	20,363
Government grants receivable (Note 15)	29	3,397	4,192
Short-term bank deposits	7,632	25,342	10,055
Loans to employees and related parties (Notes 12 and 15)	1,649	1,486	1,732
Other receivables (Note 15)	3,418	2,346	2,235
Total financial assets	**78,353**	**118,174**	**48,665**

	2009	2008	2007
Financial liabilities:			
Bank borrowings (Note 21)	195,833	187,697	139,733
Bonds issued	248,046	246,903	283,208
Finance lease and vendor financing obligations	69,004	69,597	44,441
Accounts payable for property, plant and equipment	6,340	8,116	9,626
Interest accrued	3,526	3,520	4,102
Trade accounts payable	72,380	22,170	25,116
Other long-term payables	310	400	2,004
Other current liabilities (Note 25)	9,991	15,033	1,454
Total financial liabilities	**605,430**	**553,436**	**509,684**

The main risks inherent to the Group's operations are those related to credit risk exposures, liquidity risk, market movements in interest rates and foreign exchange rates, potential negative impact of livestock diseases, and commodity price and procurement risk.

Credit risk − The Group is exposed to credit risk which is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one customer or group of customers. The approved credit period for major groups of customers, which include franchisees, distributors and supermarkets, is set at 5-21 days; sales to other customers are performed on prepayment terms.

Limits on the level of credit risk by customer are approved and monitored on a regular basis by the management of the Group. The Group's management assesses amounts receivable from the customers for recoverability starting from 30 and 60 days for receivables on sales of poultry meat and receivables on other sales, respectively. No assessment is performed immediately from the date credit period is expired. About 50% of trade receivables comprise amounts due from large supermarkets, which have the longest contractual receivable settlement period among customers.

Of the trade accounts receivable balance as of 31 December 2009, the Group's five largest customers represent 34% of the outstanding balance.

Liquidity risk − Liquidity risk is the risk that the Group will not be able to settle all liabilities as they are due. The Group's liquidity position is carefully monitored and managed. The Group has in place a detailed budgeting and cash forecasting process to help ensure that it has adequate cash available to meet its payment obligations.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows as of 31 December 2009. The amounts in the table may not be equal to the balance sheet carrying amounts since the table includes all cash outflows on an undiscounted basis.

2009	Carrying amount	Contractual amounts	Less than 1 year	From 2nd to 5th year	After 5th year
Borrowings	195,833	204,711	146,133	51,210	7,368
Bonds issued	248,046	299,115	25,625	273,490	-
Finance lease obligations	69,004	82,816	31,094	51,722	-
Total	**512,883**	**586,642**	**202,852**	**376,422**	**7,368**

The Group's target is to maintain its current ratio, defined as a proportion of current assets to current liabilities, at the level of 1.1 – 1.2. As of 31 December 2009, 2008 and 2007, the current ratio was as follows:

	2009	2008	2007
Current assets	426,977	337,631	267,337
Current liabilities	285,582	219,453	184,595
Current ratio	**1.5**	**1.5**	**1.4**

Currency risk – Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group undertakes certain transactions denominated in foreign currencies. The Group does not use any derivatives to manage foreign currency risk exposure, at the same time the management of the Group sets limits on the level of exposure by currencies.

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities as of 31 December 2009 were as follows:

	USD denominated	EUR denominated
Assets		
Trade accounts receivable	3,910	-
Cash and cash equivalents	17,088	37
Total assets	**20,998**	**37**
Liabilities		
Trade accounts payable	54,482	4,127
Payables on other financing arrangements	6,370	-
Accounts payable for property, plant and equipment	15	4,232
Interest accrued	2,686	591
Long-term bank borrowings	-	56,043
Short-term bank borrowings	94,000	25,830
Bonds issued	250,000	-
Long-term finance lease and vendor financing obligations	15,797	28,750
Short-term finance lease and vendor financing obligations	5,447	19,010
Total liabilities	**428,797**	**138,583**

The below details the Group's sensitivity to strengthening of the Ukrainian Hryvnia against US Dollar and EUR by 5% and weakening of the Ukrainian Hryvnia against US Dollar and EUR by 15%. This sensitivity rate represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 5% and 15% change in foreign currency rates.

	USD-denominated		
	2009	**2008**	**2007**
Profit/(loss)	20,390/(61,170)	15,040/(45,120)	12,756/(38,268)

	EUR-denominated		
	2009	**2008**	**2007**
Profit/(loss)	6,927/(20,781)	7,506/(22,519)	5,860/(17,580)

The effect of foreign currency sensitivity on shareholders' equity is equal to that on profit or loss.

During the year ended 31 December 2009, the Ukrainian Hryvnia depreciated against EUR by 5.5%, against US Dollar by 3.7% (2008: against EUR by 46.3%, against US Dollar by 52.5%). As a result, the Group recognized foreign exchange losses in the amount of USD 23,580 thousand (2008: USD 187,127 thousand) in the consolidated statement of comprehensive income.

The Group's management believes that the currency risk is mitigated by existence of USD-denominated proceeds from sunflower oil sales, which are substantially sufficient for servicing the Group's USD- denominated liabilities.

Interest rate risk − Interest rate risk arises from the possibility that changes in interest rates will affect the value of the financial instruments. The Group borrows on both a fixed and variable rate basis. The primary sources of the Group's funds are loans tied to LIBOR and EURIBOR.

The below details the Group's sensitivity to increase or decrease of floating rate by 10%. The analysis was applied to interest bearing liabilities (bank borrowings, finance lease obligations and accounts payable under grain purchase financing arrangements) based on the assumption that the amount of liability outstanding as of the balance sheet date was outstanding for the whole year.

	2009		**2008**		**2007**		
	LIBOR	**EURIBOR**	**LIBOR**	**EURIBOR**	**LIBOR**	**EURIBOR**	**NBU discount**
Profit/(loss)	9,741/(9,741)	6,490/(6,490)	12,209/(12,209)	6,496/(6,496)	1080/(1080)	959/(959)	500/(500)

The effect of interest rate sensitivity on shareholders' equity is equal to that on profit or loss.

Livestock diseases risk − The Group's agro-industrial business is subject to risks of outbreaks of various diseases. The Group faces the risk of outbreaks of diseases, which are highly contagious and destructive to susceptible livestock, such as avian influenza or bird flu for its poultry operations. These and other diseases could result in mortality losses. Disease control measures were adopted by the Group to minimize and manage this risk. The Group's management is satisfied that its current existing risk management and quality control processes are effective and sufficient to prevent any outbreak of livestock diseases and related losses.

Commodity price and procurement risk − Commodity price risk arises from the risk of an adverse effect on current or future earnings from fluctuations in the prices of commodities. To mitigate this risk the Group accumulates sufficient commodity stock at each balance sheet date to support at least one quarter of operations, and uses commodity forward purchase contracts.

29. REVENUE

Revenue for the years ended 31 December 2009, 2008 and 2007 was as follows:

	2009	2008	2007
Poultry and related operations segment			
Revenue from sales of chicken meat	443,654	501,013	283,835
Revenue from sunflower oil sales	101,274	109,974	67,028
Revenue from other poultry related sales	32,215	49,044	34,002
	577,143	660,031	384,865
Other agricultural operations segment			
Revenue from sales of other meat	60,116	66,122	34,523
Other agricultural sales	27,993	26,980	16,559
	88,109	93,102	51,082
Grain growing segment			
Revenue from sales of grains	45,752	49,777	38,490
Total revenue from continuing operations	**711,004**	**802,910**	**474,437**

30. COST OF SALES

Cost of sales for the years ended 31 December 2009, 2008 and 2007 was as follows:

	2009	2008	2007
Poultry and related operations	375,525	437,865	285,008
Other agricultural operations	85,352	91,492	55,665
Grain growing operations	38,286	42,353	24,345
Total	**499,163**	**571,710**	**365,018**

For the years ended 31 December 2009, 2008 and 2007, cost of sales comprised the following:

	2009	2008	2007
Costs of raw materials and other inventory used	338,114	390,421	239,004
Payroll and related expenses	79,746	86,440	58,310
Depreciation expense	43,479	51,541	40,397
Other costs	37,824	43,308	27,307
Total	**499,163**	**571,710**	**365,018**

By-products arising from the agricultural production process are measured at net realizable value, and this value is deducted from the cost of the main product.

31. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses for the years ended 31 December 2009, 2008 and 2007 were as follows:

	2009	2008	2007
Payroll and related expenses	30,062	37,820	16,306
Services	13,992	11,069	6,905
Advertising expenses	10,562	8,361	9,626
Representative costs and business trips	8,807	8,319	7,912
Depreciation expense	8,198	5,397	3,810
Fuel and other materials used	6,454	8,045	4,470
Insurance expenses	1,349	580	1,130
Bank services and conversion fees	476	477	824
Other	1,072	427	616
Total	**80,972**	**80,495**	**51,599**

32. OTHER OPERATING EXPENSES

Other operating expenses for the years ended 31 December 2009, 2008 and 2007 were as follows:

	2009	2008	2007
Change in allowance for irrecoverable VAT and direct write-offs	7,803	4,821	2,438
Change in allowance for irrecoverable amounts and direct write-offs	1,791	1,052	2,777
Non-production materials write-off	160	995	817
(Gain)/loss on disposal of property, plant and equipment	(8)	1,145	(660)
Other	5,463	2,009	1,903
Total	**15,209**	**10,022**	**7,275**

33. FINANCE COSTS, NET

Finance costs for the years ended 31 December 2009, 2008 and 2007 were as follows:

	2009	2008	2007
Interest on corporate bonds	26,822	31,300	32,781
Interest on bank borrowings	12,996	11,332	10,405
Interest on obligations under finance leases	7,279	5,584	4,256
Interest on grain purchases financing arrangements	3,463	3,456	2,533
Bank commissions and other charges	1,301	2,397	1,648
Government grants as compensation of the finance costs for agricultural producers (Note 26)	(900)	(2,406)	(2,141)
Total finance costs	50,961	51,663	49,482
Less:			
Finance costs included in cost of qualifying assets	(144)	-	-
Total	**50,817**	**51,663**	**49,482**

For qualifying assets, the weighted average capitalization rate on funds borrowed generally during the year ended 31 December 2009 was 9.87%.

Interest on corporate bonds for the years ended 31 December 2009, 2008 and 2007 includes amortization of premium and debt issue costs on bonds issued in the amounts of USD 1,197 thousand, USD 1,611 thousand and USD 1,705 thousand, respectively.

34. PENSIONS AND RETIREMENT PLANS

The employees of the Group receive pension benefits from the government in accordance with the laws and regulations of Ukraine. The Group's contributions to the State Pension Fund are recorded in the statement of comprehensive income on the accrual basis. The Group companies are not liable for any supplementary pensions, post-retirement health care, insurance benefits or retirement indemnities to its current or former employees, other than pay-as-you-go expenses. During the years ended 31 December 2009, 2008 and 2007 the Group companies remitted 33.2% and 26.56% for CIT and FAT payers, respectively, of the aggregate employees' salaries to the State Pension Fund subject to the following limits:

Period	**Limit per employee per month, USD**
1 January 2007 – 31 March 2007	518
1 April 2007 – 30 September 2007	553
1 October 2007 – 31 December 2007	560
1 January 2008 – 31 March 2008	624
1 April 2008 – 30 June 2008	649
1 July 2008 – 30 September 2008	667
1 October 2008 – 31 December 2008	536
1 January 2009 – 31 October 2009	430
1 November 2009 – 31 December 2009	464

The Group's contributions to the State Pension Fund during the year ended 31 December 2009 amounted to USD 23,840 thousand (2008: USD 22,820 thousand; 2007: USD 10,152 thousand).

35. FAIR VALUE OF FINANCIAL INSTRUMENTS

Estimated fair value disclosure of financial instruments is made in accordance with the requirements of International Financial Reporting Standard 7 "Financial Instruments: Disclosure". Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in forced or liquidation sale. As no readily available market exists for a large part of the Group's financial instruments, judgment is necessary in arriving at fair value, based on current economic conditions and specific risks attributable to the instrument. The estimates presented herein are not necessarily indicative of the amounts the Group could realize in a market exchange from the sale of its full holdings of a particular instrument.

The fair value is estimated to be the same as the carrying value for cash and cash equivalents, trade and other accounts receivable (including promissory notes receivable), and trade and other accounts payable due to the short-term nature of the financial instruments.

The fair value of bank borrowings as of 31 December 2009 is estimated at USD 180,765 thousand compared to carrying amount of USD 195,833 thousand. The fair value of finance lease obligations as of 31 December 2009 is estimated at USD 63,407 thousand compared to carrying amount of USD 69,004 thousand. Fair value of these liabilities was estimated by discounting the expected future cash outflows by a market rate of interest.

The fair value of bonds is estimated at USD 228,875 thousand compared to the carrying value of USD 248,046 thousand. The fair value was estimated based on market quotations.

36. EARNINGS PER SHARE

The earnings and weighted average number of ordinary shares used in calculation of earnings per share are as follows:

	2009	2008	2007
Profit for the year attributable to equity holders of the Parent	148,564	1,518	40,870
Loss/(profit) for the year from discontinued operations used in calculation of earnings per share from discontinued operations	-	9,722	3,601
Earnings used in calculation of earnings per share from continuing operations	**148,564**	**11,240**	**44,471**
Weighted average number of shares outstanding	110,770,000	106,738,750	100,020,000

During the years ended 31 December 2008 and 2007 the results from discontinued operations were attributable to equity holders of the Parent. The Group has no dilutive potential ordinary shares; therefore, the diluted earnings per share equal basic earnings per share.

37. SUPPLEMENTAL CASH FLOW INFORMATION

Operating, investing and financing transactions that did not require the use of cash or cash equivalents were as follows in the years ended 31 December:

	2009	2008	2007
Additions of property, plant and equipment under finance leases and vendor financing arrangements	22,118	47,616	28,417
Additions of property, plant and equipment financed through direct bank-lender payments to the vendor	4,489	16,313	27,849
Property, plant and equipment purchased for credit	6,340	8,116	9,626

38. AUTHORIZATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements were authorized for issue by the Board of Directors of MHP S.A. on 30 March 2010.